

IN THE UNITED STATES DISTRICT COURT
DISTRICT OF UTAH
CENTRAL DIVISION

UNITED STATES OF AMERICA,)
Plaintiff,)
vs.) Case No. 2:16-CR-631-DAK
AARON MICHAEL SHAMO,)
Defendant.)
_____)

BEFORE THE HONORABLE DALE A. KIMBALL

August 21, 2019

Jury Trial

Testimony of Brennda Kurstin, Jeff Fletcher, Jeff Bryan

REPORTED BY: Patti Walker, CSR, RPR, CP 801-364-5440
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1 SALT LAKE CITY, UTAH; WEDNESDAY, AUGUST 21, 2019; 8:30 A.M.

2 (Proceedings previously transcribed and under
3 separate cover.)

4 THE COURT: You may call your next witness,
5 Mr. Stejskal.

6 MR. STEJSKAL: The United States next calls
7 Brennda Kurstin.

8 THE COURT: Come forward and be sworn, please.
9 Stejskal.

10 BRENNDA KURSTIN,
11 Having been duly sworn, was examined
12 and testified as follows:

13 THE CLERK: Please state your name and spell it
14 for the record.

15 THE WITNESS: It's Brennda Kurstin.
16 B-r-e-n-n-d-a, K-u-r-s-t-i-n.

17 THE COURT: Go ahead.

18 MR. STEJSKAL: Thank you, Your Honor.

19 DIRECT EXAMINATION

20 BY MR. STEJSKAL:

21 Q Good morning, and thanks for coming.

22 Tell us a little bit about yourself.

23 A My name is Brennda. I don't know what I'm supposed to
24 say, just I work in the used car industry as an office
25 manager.

1 Q And that's why you're here this morning, correct?

2 A Correct.

3 Q Did you formerly work at a car dealership named IDrive?

4 A I did.

5 Q You no longer work there at this point?

6 A I do not.

7 Q What was the time frame in which you worked at IDrive?

8 A It was December of '15 until October of '18.

9 Q What were your duties at IDrive?

10 A I was office manager. I did accounting, bookkeeping,
11 and title work.

12 Q And, again, what type of business is IDrive?

13 A It is used car sales.

14 Q So other than you as the office manager, and
15 bookkeeper, and accounting, who else worked there?

16 A There's two owners, Nate Reynolds and Miles Penrose.
17 And then they had a few salesmen, some lot techs, mechanics,
18 just kind of your full auto body.

19 Q In your duties as the office manager and bookkeeper,
20 did you help process and keep track of the paperwork that
21 went with used car sales?

22 A Right, yep.

23 MR. STEJSKAL: Let's pull up 16.11.

24 BY MR. STEJSKAL:

25 Q Did you have a role in a sale of a vehicle from IDrive

1 to an individual by the name of Aaron Shamo?

2 A I would have processed the title work for any vehicle
3 sales and collected any documents from the salesmen.

4 Q Do you recall what kind of vehicle was sold in that
5 particular transaction?

6 A We sold trucks, so an '11 F350.

7 Q Do you recall that?

8 A Well, I don't know the vehicle particularly.

9 Q Bur you recall processing the paperwork?

10 A Correct. Yeah, I do.

11 Q And do you keep a file, then, with the paperwork in it?

12 A Yes.

13 Q And this document was part of that file?

14 A It was.

15 MR. STEJSKAL: Let's zoom back out, please.

16 BY MR. STEJSKAL:

17 Q Generally, the numbers on right side of that document,
18 what do those numbers indicate?

19 A That equals the sales price of the vehicle and any fees
20 associated with the vehicle purchase that we would collect
21 from the customer.

22 Q You then were given documents to support the payments
23 of vehicles, correct?

24 A Correct.

25 MR. STEJSKAL: Let's next look at 16.12.

1 BY MR. STEJSKAL:

2 Q Do you recognize these documents?

3 A I do.

4 Q What are they? First talk about the top one that says
5 Wells Fargo Bank.

6 A So that's the check from the customer to be part of the
7 payment to the purchase of the vehicle.

8 Q And do you see the date on that?

9 A Yeah. 5-5-16.

10 Q Is that the date that the vehicle transaction took
11 place?

12 A It was.

13 Q Give us the details of when the vehicle was coming in
14 and then going out. Where did it come from and where did it
15 go?

16 A So this truck we took in on trade. So it came from a
17 customer, Roy Stevens, where we get a trade-in. We get the
18 vehicle, we negotiate, you know, the trade-in price, and
19 then do the payoff. This one was kind of an already
20 predetermined sale where the customer already had a buyer
21 for the vehicle. So it was a pretty quick turnaround for
22 the trade-in.

23 Q So what do you mean by the customer had a buyer for the
24 vehicle?

25 A So he had a friend who was going to purchase the truck,

1 but we were just going to facilitate the sale so he could
2 get -- the initial person buying our truck would get sales
3 tax credit for their trade-in.

4 Q And you mentioned the name Miles Penrose. Who's
5 Mr. Penrose.

6 A He was an owner of IDrive.

7 Q And did he know either of the individuals that were
8 involved in this truck transaction?

9 A He did.

10 Q Who did he know?

11 A As far as I know, he knew both parties in the
12 transaction.

13 Q You said the seller was a -- I just lost the name.

14 A It's Roy Stephens.

15 Q And the buyer was whom?

16 A Aaron Shamo.

17 Q So that Wells Fargo check at the top there, who's that
18 from?

19 A That's from Aaron.

20 Q And the amount?

21 A 14,000.

22 Q Now that wasn't the full payment for the vehicle,
23 correct?

24 A Correct.

25 Q Do you recall the total purchase price of the vehicle?

1 A I want to say it was almost 40,000. I don't know the
2 exact price. I'd have to go back to the contract.

3 MR. STEJSKAL: Let's go back to the previous page
4 and look at 16.11. Maybe blow up the figures on the side
5 there.

6 THE WITNESS: Yeah. So the total cost would be
7 about 42,615.

8 BY MR. STEJSKAL:

9 Q So 14,000 was partial payment for the vehicle?

10 A Correct.

11 Q And we saw a second check there. What was that?

12 A That's a check that was given to me by Miles Penrose
13 for an additional payment for the vehicle.

14 Q So that also went towards the purchase price of the
15 vehicle?

16 A Yes.

17 Q And what did you learn about the circumstances of that
18 check?

19 A Miles was giving me a payment because they had split
20 the purchase of a boat, and so those were the funds that he
21 owed Aaron for the money they received from the boat sale.

22 Q So when you say they, it was Mr. Penrose and Mr. Shamo
23 had purchased a boat together?

24 A Correct.

25 Q And this was money from that?

1 A Yes.

2 Q Were there additional funds, then, applied to the
3 purchase of the vehicle?

4 A Yes. There was also a cash payment.

5 MR. STEJSKAL: And let's look at 16.13.

6 BY MR. STEJSKAL:

7 Q What is that?

8 A So when I received cash for vehicle sales, I would make
9 a quick copy of it and sign it with the dates so that I
10 would know with the bank deposit, that that's where the cash
11 needs to be allocated, what vehicle was to be -- the
12 bookkeeping side would go to.

13 Q So this is an amount of cash given to you by whom?

14 A I was given it by Miles Penrose.

15 Q And he got it from?

16 A Aaron Shamo.

17 MR. STEJSKAL: Let's go back to 16.11 again, and
18 highlight the numbers again, if you would.

19 BY MR. STEJSKAL:

20 Q In line number 19 there, there's a line that says total
21 payments 18,200. Do you see that?

22 A I do.

23 Q Now that's different from the check from Mr. Penrose,
24 which is 19,200; isn't that correct?

25 A Correct.

1 Q Tell us about the circumstances of that.

2 A They wanted the cash payment to be less than 10,000.

3 Q So that was just recorded in that manner?

4 A Right. They didn't update the contract. It was
5 just -- Miles just had let me know that he was going to
6 write the check for a higher dollar amount.

7 Q After receiving the funds, both the two checks and the
8 cash payment, what did you do to process the transaction?

9 A The checks and cash were deposited into the Chase Bank
10 account that's under IDrive's name.

11 Q And then you watched to make sure the checks cleared?

12 A Correct. And then I just process the title paperwork
13 for the vehicle.

14 Q So who drove the vehicle off the lot?

15 A I wasn't there. I assume the customer would drive it
16 off.

17 Q Thank you.

18 MR. STEJSKAL: That's all the questions for this
19 witness.

20 THE COURT: Thank you.

21 You may cross-examine.

22 Mr. Sam.

23 CROSS-EXAMINATION

24 BY MR. SAM:

25 Q I just have a couple of questions.

1 So any decisions you made as far as having to account
2 for this, was that given to you by the owners, or where did
3 that come from?

4 A Right. That was by Miles Penrose.

5 Q And the customer wouldn't have given you any
6 instruction on how to account for that?

7 A Correct. I was given that instruction by Miles.

8 Q Okay.

9 MR. SAM: I have no further questions.

10 THE COURT: Thank you.

11 Any redirect?

12 MR. STEJSKAL: No, Your Honor.

13 THE COURT: Thank you. You may step down, and you
14 may be excused.

15 You may call your next witness.

16 MR. STEJSKAL: The United States would next call
17 Special Agent Jeff Fletcher.

18 THE COURT: Come forward and be sworn, please.

19 JEFF FLETCHER,

20 Having been duly sworn, was examined

21 and testified as follows:

22 THE CLERK: Please state your name and spell it
23 for the record.

24 THE WITNESS: My name is Jeff Fletcher. J-e-f-f.
25 Fletcher, F-l-e-t-c-h-e-r.

1 DIRECT EXAMINATION

2 BY MR. STEJSKAL:

3 Q Your occupation, please?

4 A I'm a special agent with IRS Criminal Investigations.
5 I guess I don't need to tell you what IRS stands for.

6 Q Describe for us your educational background.

7 A I have a bachelor's degree in international finance
8 from Brigham Young University.

9 Q And what training did you receive to become an
10 investigator with the IRS?

11 A As a special agent with IRS, we attend the Federal Law
12 Enforcement Training Center. We do two and a half months of
13 basic law enforcement training, which includes firearms,
14 defensive tactics, doing general investigations. A lot of
15 other agencies attend that first part.

16 The second part of our training includes financial
17 investigations. We investigate crimes like money
18 laundering, tax evasion structuring. If a crime involves
19 money, we would investigate it.

20 Training at the Federal Law Enforcement Training
21 Center, we are taught about the statutes pertaining to the
22 financial crimes we investigate. We learn to follow the
23 money, how to track and trace proceeds of the illegal
24 activity, how to reconstruct income using various methods,
25 using bank account records, using net worth and assets, and

1 also via cash expenditures.

2 Q Do you have any specific certifications with regard to
3 your training and investigative duties?

4 A Yes, I do.

5 Q What would that be?

6 A I'm a certified anti-money laundering specialist, a
7 member of CAMs.

8 Q Tell us about your experience as a financial
9 investigator with the IRS.

10 A Yeah. I've been a special agent with IRS Criminal
11 Investigations for 24 years. Part of that, actually, I was
12 a tax auditor. So I audited businesses. But as a special
13 agent with IRS Criminal Investigations, for the last 20
14 years I have been investigating organized crime, drug task
15 force cases, working mostly with the DEA, Homeland Security,
16 FBI. And now I've even expanded my horizons. I'm working
17 with U.S. Postal and FDA on this case.

18 Q And generally speaking here first, tell us about your
19 duties with IRS. What types of things do you do to conduct
20 these investigations?

21 A We look at the money. We look at financial records.
22 We look at assets. We look at cars, houses purchased. You
23 know, we follow the money two different directions. We can
24 follow -- in a drug situation, we can follow the drugs
25 sometimes to the cash obtained from the drugs. But

1 oftentimes we can't do that, so we look at assets and we
2 follow the assets, which might lead to the drugs too.

3 Q In your capacity as a special agent with the IRS, did
4 you become involved in this investigation of Aaron Shamo and
5 others?

6 A Yes, I did.

7 Q What was your specific role in this investigation?

8 A The financial investigation aspects of the case,
9 looking at bank accounts, financial transactions. In this
10 case it was obviously cryptocurrency. Looking at assets,
11 cars, any assets that were purchased and any cash that was
12 seized.

13 Q Through your extensive training and many years of
14 experience, did you become familiar with the terms used in
15 investigating money laundering and financial offenses?

16 A Yes, I have.

17 Q Let's define a few of those terms so everybody
18 understands what we're talking about when we get into this.
19 First the term money laundering, can you tell us what money
20 laundering is?

21 A Yeah. Basically it's taking money that is dirty money
22 from illegal activity and a process of conducting financial
23 transactions to make that money appear to be clean. A lot
24 of times you'll have a large amount of cash. You go in and
25 plop that cash down to buy a house, the bank is going to ask

1 you questions. So you want to make that money look like
2 it's come from a legitimate source.

3 Q Are you familiar with the term promotion --

4 A Yes, I am.

5 Q -- in the aspect of money laundering and financial
6 investigations?

7 A Yes.

8 Q Explain for the jury the term promotion.

9 A A promotion is basically taking proceeds from an
10 illegal activity, drug distribution, and using that money to
11 keep the business going. It could be purchasing more drugs.
12 It could be paying an employee to make shipments for you.
13 It could be -- let's see -- paying rent on a house that
14 you're using to store drugs, paying a phone bill on a phone
15 that you use to make communications with other people in the
16 organization. So anything that keeps that drug organization
17 moving.

18 Q Are you familiar with the term concealment?

19 A Yes, I am.

20 Q Can you explain that term for us?

21 A Concealment is where -- there's three terms we use.
22 It's placement, layering, and integration. In concealment,
23 what the individual who has money from illegal activities
24 wants to do is try to distance themselves from those illegal
25 funds. They don't want people to know that the funds came

1 from illegal activity. So they try to conduct multiple
2 transactions to distance themselves. They may use
3 transactions with nominee names, with other individuals.
4 They may set up bank accounts with other people's names.
5 They may conduct several transactions in several different
6 bank accounts. So the further they can get from that money,
7 the better for them, so that law enforcement doesn't detect
8 that this money is from illegal proceeds.

9 Q Are you familiar with the term specified unlawful
10 activity, or SUA?

11 A Yes, I am.

12 Q Explain that term for the jury.

13 A That's a list of codified crimes that are considered
14 crimes for the purposes of money laundering. There's -- not
15 every crime is a crime for money laundering. There's wire
16 fraud. There's drug distribution. Tax evasion isn't one of
17 those crimes that is a specified unlawful activity. So
18 there's a specific list of those crimes.

19 Q And many of those involve controlled substance
20 offenses, correct?

21 A Yes, they do.

22 Q Are you familiar with the term financial transaction?

23 A Yes, I am.

24 Q Tell us what that means.

25 A A financial transaction is just a movement of funds.

1 Movement of funds could be depositing cash into a bank
2 account. It could be paying an individual for a car, paying
3 an individual for work. That's pretty much a financial
4 transaction.

5 Q How about the term financial institution?

6 A Yeah. Financial institution is actually codified. In
7 Title 31 5312(a), there's a list of businesses that are
8 considered financial institutions.

9 First of all, we all think of a bank. A bank is a
10 financial institution. But that also talks about car
11 dealerships, businesses that sell vehicles, jewelry shops,
12 real estate agencies. Those are all considered financial
13 institutions for purpose of money laundering.

14 Q Just by law that's how the --

15 A By law, yes.

16 Q How about the term interstate commerce or affecting
17 interstate commerce?

18 A Yeah. Interstate commerce is business from one state
19 to the other, so it affects multiple states. For example,
20 banks are FDIC insured, and transactions in one -- and
21 they're chartered in multiple states. Like Wells Fargo is
22 chartered in various states. So to place or deposit funds
23 into Wells Fargo, for example, does affect interstate
24 commerce because you can wire funds through the bank --
25 through Wells Fargo from one bank in, say, Utah to a bank in

1 California.

2 Q So those are our terms.

3 How did you become involved, then, in the investigation
4 of Aaron Shamo and his associates?

5 A I was called by one of the agents of the DEA, and he
6 told me that they were looking at this organization and that
7 there potentially could be some money involved.

8 Q And did you learn what type of operation they were
9 running as far as selling drugs on the street versus selling
10 drugs in a different way?

11 A Yeah. We learned that Mr. Shamo owned a storefront on
12 AlphaBay, known as Pharma-Master, and that this was an
13 online storefront that sold pills.

14 Q And were you able to determine in what type or what
15 form payment was received in that market?

16 A Yeah. AlphaBay received funds in a cryptocurrency
17 known as Bitcoin.

18 Q Tell us about Bitcoin. What is that?

19 A Bitcoin -- I've learned quite a bit over the last
20 couple years about Bitcoin. But Bitcoin is a cryptocurrency.
21 It's a decentralized currency. When you think of the U.S.
22 dollar, that's backed by the U.S. government. Cryptocurrency
23 isn't. It's a decentralized cryptocurrency and it involves
24 two different keys, a private key and a public key. The
25 public key is like a wallet. You have your money. The

1 private key -- I think it was explained by
2 Special Agent Gino -- is kind of like the PIN number to your
3 debit card and so not everybody can see that. It's private.

4 Q We'll get into that more in a little bit.

5 In the initial part of your investigation, did you
6 locate a wallet connected with the AlphaBay account that was
7 attributed to Aaron Shamo?

8 A Yes, I did.

9 Q How did you find that wallet?

10 A Yeah. On January 14th, 2017, myself and
11 Special Agent Keys went and talked to Mr. Aaron Shamo's
12 landlord. Shamo was living at -- had been living at 7939
13 Titian Way in Cottonwood Heights. So we interviewed his
14 landlord.

15 Q And were you given a document of an exchange between
16 Mr. Shamo and the landlord, Mr. Lapin?

17 A Yeah, we were. We were given an e-mail that was sent
18 to Mr. Lapin by Mr. Shamo that talked about his source of
19 income to be able to pay the rent, and that e-mail also
20 included his Bitcoin wallet.

21 Q Let's look at Exhibit 21.18, the second page of that.
22 Can you identify that for us, please?

23 A Yes. That is the e-mail.

24 Q Who is the e-mail from?

25 A It's from airshamu4@hotmail.com.

1 Q Who is it to?

2 A Jeremylapin@hotmail.com.

3 Q You just talked about identifying a Bitcoin wallet.

4 How did you do that from this document?

5 A Well, we identified it because it's in the e-mail.

6 Mr. Shamo is saying, hey, here's our incoming Bitcoin

7 wallet. Any profits made come here first, then

8 distrusted -- I think he meant distributed -- to investors,

9 my two employees, and myself. And then it's got the wallet

10 address beginning in 1Hmo and ending in kdq. It also said

11 it should come up as U.S. dollars, but if it's not, then it

12 will say.

13 Q Well, that looks like a link, that yellow line down.

14 So what does that link to?

15 A The blue -- yeah. That's the link to his Bitcoin

16 address.

17 Q So by clicking on that, the landlord could see some

18 information that relates to a Bitcoin wallet?

19 A Yes.

20 Q What's the date on that e-mail?

21 A It's November 13th, 2015.

22 Q Based on your investigation, was that around or just

23 before the time that Mr. Shamo moved into that Titian Way

24 house?

25 A Yes, it is.

1 Q Looking at that Bitcoin wallet number that you've
2 identified, starting at 1Hmo, did that have further
3 significance in your financial investigation?

4 A Yes. That was the Bitcoin wallet that was used to
5 receive funds from the AlphaBay's Darknet market store,
6 Pharma-Master.

7 Q Let's talk specifically, then, about that Pharma-Master
8 store and that wallet. Were you present when there was a
9 spreadsheet of sales and income from Pharma-Master kind of
10 showing the money that was coming in?

11 A Yes, based on the feedback.

12 Q Let's look at Exhibit 15.02.A. Do you recognize that?

13 A Yes, I do.

14 Q How does that relate to your financial investigation?

15 A It shows that there were -- this is based on
16 feedback -- 5,589 transactions. The revenue was over
17 \$2.8 million.

18 Q And was part of your financial investigation to track
19 or trace money to either find it still in existence or
20 figure out where it went or where it came from?

21 A That's what we try to do, yes.

22 Q You testified that the Pharma-Master account was set up
23 to receive money in Bitcoin, correct?

24 A Yes.

25 Q Is Bitcoin easy to spend?

1 A Not really. I mean, most places don't take Bitcoin for
2 transactions. I know you can buy a Tesla with a Bitcoin.
3 But generally speaking, no. It's a little more difficult to
4 spend.

5 Q To be clear, there are some businesses that do accept
6 Bitcoin?

7 A There are a few, yes.

8 Q Does converting Bitcoin to cash make it easier to
9 spend?

10 A Yes, it would.

11 Q Explain that.

12 A I mean, most people take cash. Cash is U.S. dollars
13 currency. Unless you spend a large amount, no one is going
14 to question small dollar amounts of cash. It's widely
15 accepted everywhere pretty much.

16 Q Does converting Bitcoin to cash also assist in
17 concealing the source of the funds?

18 A Yes, it does.

19 Q Explain that, please.

20 A Well, converting Bitcoin to cash -- it depends on how
21 the Bitcoin is converted obviously. But once you take
22 Bitcoin -- there's a blockchain so it can be followed to a
23 degree. But once you convert that Bitcoin into cash, it's
24 hard to follow the cash. Cash is what we call fungible.
25 It's indistinguishable. It's -- I mean, you can't really

1 tell one dollar from another. You can't follow it. So it's
2 difficult to follow cash.

3 Q You talked about converting Bitcoin to cash. What are
4 the ways in which one can convert Bitcoin into cash?

5 A Yeah, there's three ways. The first is the commercial
6 online Bitcoin exchanges. A couple of those are Bitstamp
7 and Coinbase. Those are regulated. There's paperwork.
8 There's a paper trail. It's pretty easy to convert Bitcoin
9 through those exchanges.

10 Q And the fees for those?

11 A The fees are about one to two percent. Not too high.

12 Q You said there are three ways. That was one. What
13 else?

14 A The other way is the peer to peer Bitcoin exchange. I
15 think it's been talked about, LocalBitcoins.com. Peer to
16 peer is where a person that has Bitcoin wants some cash, or
17 vice versa, and so they meet up. There's been testimony
18 where individuals -- Mr. Crandall would have cash and would
19 meet with individuals that had Bitcoin that wanted to
20 purchase the Bitcoin. So they would just make that
21 exchange. In those situations, there is no paper trail.

22 Q Explain that a little better. What do you mean by
23 there is no paper trail?

24 A There's no -- like Bitstamp, the money goes through an
25 exchange. We can follow that money. But when an individual

1 meets another person on the street and they exchange Bitcoin
2 for cash, there's no way we know who provided the Bitcoin,
3 who provided the cash.

4 Q So it's anonymous?

5 A It's anonymous, yes.

6 Q And you said there were three methods. What was the
7 other one?

8 A The other one is the Bitcoin ATMs. It's an ATM. There
9 is a paper trail with the Bitcoin ATMs. Probably less than
10 the online commercial Bitcoin exchanges who are regulated,
11 but there's still a paper trail.

12 Q Did Mr. Shamo use any of these particular conversion
13 methods to exchange his Bitcoin for cash?

14 A He used the peer to peer. He used LocalBitcoins.com.
15 He met individuals on the street. Mr. Crandall also met
16 people on the street and converted the Bitcoin to cash so
17 they could spend it.

18 Q And based on your investigation, were large amounts
19 converted?

20 A Yes.

21 Q What kind of amounts?

22 A Millions. I mean over a million.

23 Q Did agents ultimately end up seizing large amounts of
24 cash?

25 A Yes, they did.

1 Q Let's look at Exhibit 13.09, photo number five. What
2 is that?

3 A That's the picture of cash in Mr. Shamo's dresser
4 drawer that was seized during the search warrant on
5 November 22nd, 2016.

6 Q And do you recall approximately how much money was
7 seized on that date from Mr. Shamo's residence?

8 A It was over \$1.2 million. The cash was located in two
9 dresser drawers, two safes, and a nightstand.

10 Q Do you recall some testimony about Mr. Shamo informing
11 agents about trading in his Bitcoin for cash right around
12 that time?

13 A Yes. When Mr. Shamo was arrested, he told agents that
14 he had just recently exchanged about 700 -- in excess of
15 \$700,000 of Bitcoin for the cash.

16 Q Is the conversion of Bitcoin to cash considered a money
17 laundering transaction?

18 A It is.

19 Q Explain that for us. Why is that?

20 A It's a financial transaction. It's with U.S. currency.
21 So it's basically -- and it depends on how they're doing it,
22 but if it's a peer to peer, it's Bitcoin for cash. It's a
23 transaction with proceeds from illegal activity with the
24 intent to either conceal or disguise the proceeds.

25 Q Was there also a sum of cash seized or turned over in

1 Arizona in March of 2017?

2 A Yes, there was.

3 Q Let's look at Exhibit 16.04, photo number four. Can
4 you identify that for us?

5 A Yeah. That is approximately \$429,000 cash that was
6 turned over voluntarily by Mike and Rebecca Shamo to U.S.
7 Postal Inspector Andrea Brandon.

8 Q And is that evidence of a money laundering transaction?

9 A It is evidence of money laundering, yes. And the
10 statement attached to the consent form said that this money
11 was hand delivered by Aaron Shamo to them.

12 Q And how is that significant in your investigation of
13 Mr. Shamo as far as money laundering?

14 A It shows that Mr. Shamo obtained the cash. We know
15 that his source from the online store was cryptocurrency.
16 So it obviously had to be converted into cash.

17 Q Was there also a sum of money obtained from a Luke Paz?

18 A There was.

19 Q Let's look at photo 16.16. What is that?

20 A It's a bag of cash.

21 Q And was that the cash that was obtained from Mr. Paz?

22 A Yeah. Mr. Paz turned over cash on two occasions in
23 August of 2018. One amount was approximately \$671,000, and
24 the other amount was approximately \$134,000.

25 Q Did you do any research on Aaron Shamo to determine if

1 he had other sources of income other than the Pharma-Master,
2 AlphaBay website?

3 A Yes. I looked at his employment to see if he had a
4 legitimate job.

5 Q How did you do that research?

6 A I pulled up the Utah Department of Workforce Services
7 database.

8 Q What is the Department of Workforce Services?

9 A It's a database. If someone is employed and working
10 and receiving wages in the State of Utah, this database has
11 your quarterly wages and amounts of those wages.

12 Q Am I on there?

13 A Are you? Yeah. You get paid by the government. It's
14 in Utah.

15 Q It keeps track of everybody?

16 A Yes. If you're working, getting a wage in Utah, you
17 should be on that database, yes.

18 THE COURT: What's the relevance of your being on
19 there?

20 MR. STEJSKAL: I was just curious. I didn't know
21 anybody was keeping track of me.

22 THE WITNESS: I can pull you up. But I can't pull
23 your tax returns.

24 BY MR. STEJSKAL:

25 Q Let's look at Exhibit 16.10. Can you identify -- I

1 guess page two. Can you identify that for us, please?

2 A Yeah. That is a certified copy of the Workforce
3 Services for Mr. Aaron Shamo.

4 Q And the time period on that appears to be what?

5 A The date that I did the pull or --

6 Q The time period covered from the Workforce Services
7 report.

8 A It looks like the second quarter of 2009 through the
9 first quarter of 2015.

10 Q And when did you run this report?

11 A You'd have to let me see the bottom of the page so I
12 can remember that. Let's see.

13 Q Let me just ask it this way. Did you run it after
14 Mr. Shamo was arrested?

15 A Yeah. It was November or December of 2017 -- or 2016.
16 Excuse me.

17 Q There's a date on the screen now.

18 A Oh, that's the certified copy, yeah. The certified
19 copy is 12-24, 2018. I actually ran it prior to that.

20 Q You ran it in the course of your investigation in 2017?

21 A Yes.

22 Q So does that account for all income through the time of
23 his arrest in late 2016, November of 2016?

24 A That accounts for all of the wages that he received in
25 the State of Utah, from employers in the State of Utah.

1 Q And what does this report indicate as far as income for
2 Mr. Shamo?

3 A The relevancy is that it shows that he was receiving
4 wages from eBay starting the third quarter of 2013, and that
5 his last wage was from eBay in the first quarter of 2015 in
6 the dollar amount of \$1,573 for that quarter.

7 Q No legitimate income reported after that?

8 A No.

9 Q Let's talk about a few specific transactions, then,
10 that Mr. Shamo was involved in. Let's first talk about a
11 transaction with IDrive on May 5th of 2016. Are you
12 familiar with that transaction?

13 A Yes, I am.

14 Q Let's look at Exhibit 16.11. Can you identify that for
15 us?

16 A Yeah. That's the retail sales agreement Ms. Kurstin
17 just spoke about. It's the purchase of a 2011 Ford F350
18 from IDrive, Utah.

19 Q And the purchaser name there at the top?

20 A Aaron Shamo.

21 Q Let's look at 16.12. What do you see on that page?

22 A Two checks. One from Wells Fargo Bank -- that's the
23 bank account ending in 4284, which is Aaron Shamo's bank
24 account -- in the amount of \$14,000 to IDrive. The other
25 check is a check from Mr. Shamo's friend, Miles Penrose, in

1 the amount of 19,200.

2 Q And then 16.13 that you saw with Ms. Kurstin also
3 showed some cash that was involved in this transaction?

4 A Yes. \$9,420 in cash.

5 Q Let's go back to 16.12, specifically referring to the
6 check from Mr. Shamo there. What bank did that come from?

7 A Wells Fargo Bank.

8 Q Did you do any investigation into accounts by
9 Mr. Shamo?

10 A Yes. I found that he did have a Wells Fargo bank
11 account ending in number 4284.

12 Q And that was what this check was written from?

13 A Yes, it was.

14 Q Let's look at Exhibit 16.21 and talk about your review
15 of Mr. Shamo's account. What is this?

16 A That's a summary of the deposit items into Mr. Shamo's
17 bank account at Wells Fargo.

18 Q Looking at or around the date of May 5th when this
19 truck was purchased, are there any items that stand out to
20 you around that time?

21 A Yeah. Can you go to that page? Actually that's the
22 wrong year.

23 Q Sorry. 20 --

24 A 16.

25 Q -- 16.

1 A May of 2016.

2 Q Page four. I'm sorry.

3 A Yes. So on 5-4, 2016, there was a cash deposit in the
4 amount of \$7,500. And on May 5th, 2016, there's another
5 cash deposit in the amount of \$5,000 just prior to the check
6 being written for \$14,000.

7 Q So cash is being deposited into that bank account in an
8 amount enough to cover that check that was written to
9 IDrive, correct?

10 A Correct.

11 Q What is the monetary transaction, then, as it relates
12 to IDrive and the purchase of that F350 truck?

13 A It's the check for the \$14,000 from Mr. Shamo's bank
14 account to IDrive.

15 Q And what's the financial institution involved in that
16 transaction?

17 A Wells Fargo is the financial institution that the bank
18 was -- that the check was written from.

19 Q And the effect on interstate commerce?

20 A Again, Wells Fargo is FDIC insured. They're chartered
21 in various states, so you can send wires from state to
22 state. So that affects interstate commerce.

23 Q And the check was for 14,000. Is there anything
24 significant about that amount?

25 A It's over \$10,000.

1 Q And why is that significant?

2 A Because the statute 18 U.S.C. 1957 requires a monetary
3 transaction with a financial institution in an amount over
4 \$10,000.

5 Q Did you do some further examination of Mr. Shamo's bank
6 account?

7 A Yes, I did.

8 Q Let's look at Exhibit 16.21. Can you identify that for
9 us, please?

10 A Yeah. It's another summary of his bank account. It
11 shows money coming in and also funds being expended out of
12 that account.

13 Q Give us a summary of that. What did you determine from
14 this examination of Mr. Shamo's bank account?

15 A First of all, on the deposit side, I analyzed the
16 deposits from the date of February of 2016 through November
17 of 2016, and I found that there were approximately 55 cash
18 deposits into the account totaling just over \$88,000.
19 Eleven of those cash deposits were deposited in out of state
20 banks.

21 Q What kind of states, if you recall?

22 A There was California, Florida, Maryland, North
23 Carolina.

24 Q And could you tell from the bank statement and your
25 research what funds from this account, what kind of things

1 they were used to pay for?

2 A Yeah. A lot of the funds went to pay Venmo. There
3 were wires to MoneyGram, wires to Western Union, and also
4 wires to debit card purchases to the U.S. Postal Service.

5 Q And also to IDrive?

6 A And then the check to IDrive, yes.

7 There was also a check in the amount of \$23,000 to the
8 IRS.

9 Q He didn't have any reported income on the Workforce
10 Services?

11 A Correct -- well, he had -- in 2015, he had \$1500.

12 Q Did you search for other accounts of Mr. Shamo?

13 A I did search for other accounts, yes.

14 Q And what results?

15 A I didn't find any. There was a savings account
16 attached to this with minimal activity, but no other bank
17 accounts for Mr. Shamo that I found.

18 Q So this appeared to be, from your research, the primary
19 account activity?

20 A Yeah. There was an E-Trade account, Ameritrade
21 account -- stock account also that I found.

22 Q Let's shift gears for a minute and talk about Drew
23 Crandall. Are you familiar with Drew Crandall from the
24 investigation?

25 A Yes, I am.

1 Q Are you aware that he was part of Mr. Shamo's drug
2 tracking organization?

3 A Yes, I am aware of that.

4 Q Did you investigate his finances?

5 A I did.

6 Q Tell us about that investigation.

7 A I found that Mr. Crandall had a bank account at America
8 First Credit. As I was going through his account, I found
9 some deposits from Bitstamp, which is one of those
10 commercial online Bitcoin exchanges. I found some cash
11 deposits also. It seemed like in 2015 there was probably
12 about 11 to \$12,000 worth of cash deposits in his bank
13 account.

14 Q Did you also search for other accounts with regard to
15 Mr. Crandall?

16 A I did.

17 Q Any other accounts found?

18 A No.

19 Q So did you review the account, then, that you just
20 referred to?

21 A I did.

22 Q Did you obtain a bank statement for that account?

23 A Yes. I obtained bank statements for that account for
24 three years.

25 Q Let's look at 16.22. Can you identify that for us,

1 please?

2 A It looks like a bank to bank transfer in the amount of
3 \$3,013.

4 Q I'm not talking about the yellow line, just generally
5 what the document is.

6 A Okay. You threw me off there.

7 Yeah, that's his America First Credit Union bank
8 statements.

9 Q From your analysis, describe the money flow as you kind
10 of reviewed the bank account and what was going in and what
11 was going out.

12 A For Mr. Crandall's bank account, really I saw
13 occasional, sporadic cash deposits. I was really looking at
14 the dates of November 2016 -- excuse me, November, December
15 of 2015 through November of 2016. One thing I did see was
16 the wires in from Bitstamp and some cash deposits.

17 Q Let's talk more generally now. Were you present when
18 Mr. Crandall testified as to his financial activity?

19 A Yes, I was.

20 Q And as you reviewed this bank statement, is it
21 consistent with Mr. Crandall's testimony?

22 A It is.

23 Q You said you identified some transactions associated
24 with Bitcoin. Are you familiar with Bitstamp?

25 A Yes.

1 Q What's Bitstamp?

2 A Bitstamp is one of those commercial online Bitcoin
3 exchanges where there is an actual paper trail.

4 Q Are there Bitstamp transactions associated with
5 Mr. Crandall's account?

6 A There are. There's three -- actually four. Three
7 during this time frame of December to November --
8 December 15th through November 2016.

9 Q Let's look first at Exhibit 16.05. Can you identify
10 that for us?

11 A Yes. That is a wire transfer from Bitstamp on
12 April 19th, 2016 in the amount of \$3,013.

13 Q Do you recall the circumstances of that, according to
14 Mr. Crandall?

15 A Yes. Backing up a little bit, Mr. Crandall stated that
16 when he decided to leave to travel abroad with his
17 girlfriend, he wanted to be bought out of the drug business
18 with Mr. Shamo. They negotiated an amount of \$40,000.

19 Mr. Crandall stated that prior to leaving, he was
20 provided Bitcoin from Mr. Shamo in the dollar equivalent of
21 about \$20,000. He said that he would get amounts -- Bitcoin
22 amounts of about \$10,000. He would meet with people on the
23 street. He would convert that Bitcoin into the cash. He
24 would keep \$5,000 and he would give \$5,000 to Mr. Shamo. He
25 basically -- he did say I was helping him launder money.

1 He did that four different times from September through
2 November when he left the States. So he was able to get
3 approximately \$20,000 of the \$40,000 that was owed to him
4 before he left the country.

5 Q So he was still owed money when he left the country?

6 A He was still owed \$20,000.

7 Q So tell us about this specific transaction from April
8 of 2016.

9 A So Mr. Crandall in his testimony stated that this 3,013
10 was part of Mr. Crandall cashing in the Bitcoin that he had
11 received from Mr. Shamo in April of 2016.

12 Q Are you familiar with the term tumbler?

13 A Yes.

14 Q What's a tumbler?

15 A A tumbler is a way to anonymize or basically cut the
16 trail of the blockchain, which makes it difficult to follow
17 the movement of the Bitcoin.

18 Q And did Mr. Crandall indicate that the money was sent
19 through a tumbler?

20 A Yeah. Mr. Crandall stated that when he received the
21 Bitcoin from Mr. Shamo, Mr. Shamo ran it through a tumbler
22 and then into his Bitcoin account.

23 Q So that was the first. You said there were three, I
24 believe, in this time period.

25 Let's next look at Exhibit 16.06. Can you identify

1 that for us, please?

2 A Yeah. That is a deposit on August 4th, 2016 in the
3 amount of \$5,343 from Bitstamp into Mr. Crandall's America
4 First Credit Union account.

5 Q Do you recall from Mr. Crandall the circumstances of
6 that money?

7 A Yeah. He said that that dollar amount actually
8 consisted of two things. It consisted of part of the
9 Bitcoins that he received as a payout prior, and then also
10 it consisted of approximately \$22,400, which represented his
11 wages for working for Mr. Shamo doing customer service
12 support for Pharma-Master in the month of July, which is
13 when Mr. Crandall stated that he started working again for
14 Pharma-Master.

15 Q So does this payment from Mr. Shamo to Mr. Crandall
16 constitute a money laundering transaction?

17 A Yes, it does. It constitutes promotion money
18 laundering.

19 Q Explain that. Why is that?

20 A Because Mr. Crandall was working for Mr. Shamo. He was
21 doing customer service on his storefront, on AlphaBay, known
22 as Pharma-Master. So this is payment for him to do the
23 customer service, to actually answer questions and help
24 people with issues that they had on their pill purchases.

25 Q You mentioned a third Bitstamp transfer. Let's look at

1 16.07. Would you identify that for us, please?

2 A Yeah. That is a deposit on September 22nd, 2016 in the
3 amount of \$2,508 into Drew Crandall's America First Credit
4 Union bank account.

5 Q And what did you learn about that amount of money being
6 transferred from Mr. Shamo to Mr. Crandall?

7 A Mr. Crandall stated that that was, again, payment for
8 his wages for working as customer service on Pharma-Master
9 for the prior month, which would have been the month of
10 August.

11 Q Does this transaction also constitute money laundering,
12 in your professional opinion?

13 A Yes, it does.

14 Q Explain.

15 A It is a payment and promotion of the illegal activity
16 with funds that were derived from Bitcoin through
17 Pharma-Master.

18 Q Did you go back, then, and look at Mr. Crandall's
19 account statement to show that these funds actually came
20 through that America First account?

21 A I did.

22 Q Did you verify all three of those transactions?

23 A Yes.

24 Q Did you also look into cash deposits of Mr. Crandall's
25 account?

1 A Yeah, I did look at the cash deposits.

2 One thing that I was curious about was Mr. Crandall was
3 busy traveling the world with his girlfriend, but there were
4 cash deposits into his bank account while he was gone. So I
5 wanted to know who was making those cash deposits.

6 Q What did you do to investigate those deposits?

7 A I contacted America First and asked if I could get
8 photo images of all the deposits that were being made into
9 the account so I could find out who was doing that.
10 Luckily, they keep those images for 90 days, so I barely
11 made that cutoff.

12 Q What did you then receive from America First?

13 A I received two photo images of transactions that show
14 individuals making deposits into Drew Crandall's America
15 First Credit Union account.

16 Q Let's look first, then, at Exhibit 16.09. Identify
17 that for us, please.

18 A Yeah. That's a picture of Mr. Shamo making a deposit
19 into Drew Crandall's bank account at America First Credit
20 Union. It says the Cottonwood branch, which is not far from
21 Mr. Shamo's house.

22 Q In addition to the photo, did you obtain anything else
23 from America First that showed that this monetary
24 transaction actually occurred?

25 A I got the financial statements that show the dollar

1 amount.

2 Q Did you get the deposit slip?

3 A Yes.

4 Q And did that show that amount being deposited into
5 Mr. Crandall's account?

6 A It did.

7 Q And you said you also got the bank statement?

8 A Yes.

9 Q Can we look at Exhibit 16.22.

10 A It's not the yellow.

11 Q Our date here is November 8th of 2016.

12 Let me scroll down a couple of pages.

13 What do you see on this page?

14 A It shows a deposit at the Cottonwood Heights branch for
15 \$2,700.

16 Q Does that match the information on the photograph that
17 we just observed?

18 A Yes, it does.

19 Q Based on your investigation of Mr. Shamo's drug
20 trafficking organization, how did Mr. Shamo obtain that cash
21 that he deposits into Mr. Crandall's account?

22 A Based on my investigation and testimony, he obtained
23 that cash by converting the cryptocurrency Bitcoin, meeting
24 individuals with cash, and exchanging his cryptocurrency for
25 cash.

1 Q Did you learn from Mr. Crandall what that \$2700 payment
2 was for?

3 A Yeah. Mr. Crandall stated in his testimony that that
4 \$2700 cash deposit made by Mr. Shamo into his bank account
5 was for doing customer service on Pharma-Master, his wages
6 basically.

7 Q Does that constitute money laundering?

8 A Yes, it does.

9 Q In what way?

10 A It's promotion, again. He's paying an individual to
11 help keep his business running by doing customer support.

12 Q Does this particular manner of transaction also have
13 indications of concealment?

14 A Yes, it does.

15 Q Describe that for us.

16 A It's very hard to track and trace the proceeds of the
17 illegal activity when he takes the Bitcoin, meets people on
18 the street, gets the cash, and then surreptitiously goes
19 into the bank and makes a deposit of the cash into his bank
20 account.

21 Q Let's talk about another specific transaction from
22 November 22nd of 2016. Did you obtain a second photo from
23 America First Credit Union?

24 A Yes, I did.

25 Q Let's look at Exhibit 16.08. Can you identify that for

1 us, please.

2 A Yeah. That's a picture of an individual who's tied to
3 Salt Lake City Bitcoins. Through my investigation, I
4 identified him as Scott Wilkes. He is making a \$900 deposit
5 into Drew Crandall's America First bank account.

6 Q Did you cross-reference his photo with
7 Mr. Crandall's bank statement to see that this transaction
8 took place?

9 A Yes, I did.

10 Q Let's go to 16.22 again and look at that. The date is
11 November 22nd of 2016.

12 A That shows the \$900 deposit into the Salt Lake Metro
13 Branch of America First Credit Union, which is pretty close
14 to where Scott Wilkes resides.

15 Q Again, explain for us who Scott Wilkes is and what his
16 business is.

17 A Scott Wilkes is an individual who posts on
18 LocalBitcoin.com that he's looking for Bitcoin and that he
19 has cash. He has individuals who he meets with that need
20 Bitcoin or cash, and he is the intermediary for those. He
21 owns Salt Lake City Bitcoins.

22 Q So in these transactions, the Bitstamp transactions and
23 these two cash deposits, it appears that -- well, it's not
24 the last one. The three Bitstamp transactions and the one
25 with the photograph of Aaron Shamo depositing money, those

1 appear to have involved both Mr. Shamo and Mr. Crandall; is
2 that correct?

3 A Yes, that is correct.

4 Q So are they both responsible for money laundering based
5 on those transactions?

6 A Yes, they are.

7 Q They both took part in those transactions.

8 A They both conducted financial transactions.

9 Q In addition to all the items of money laundering,
10 instances of money laundering that you just testified to,
11 were there other transactions specifically involving
12 promotion?

13 A Yes, there were.

14 Q Let's first talk about Ms. Tonge and Ms. Bustin as they
15 relate to Mr. Shamo. Were there promotion transactions that
16 you identified with those individuals?

17 A Yes. Ms. Tonge and Ms. Bustin were purchasing stamps
18 and shipping labels. The testimony was that Mr. Shamo would
19 move Bitcoin to a wallet controlled by the two women and
20 they would use that wallet to purchase shipping labels
21 through GetUSPS.com.

22 Q And some of that -- or much of that involved Bitcoin?

23 A Yes, it did. Ms. Tonge and Ms. Bustin stated in their
24 testimony that they were purchasing approximately \$500 worth
25 of stamps twice a week.

1 Q Were there also transactions involving the payment of
2 wages to Ms. Tonge and Ms. Bustin?

3 A Yeah. Ms. Tonge and Ms. Bustin stated that initially
4 they were being paid \$1,000 each per month. That was
5 negotiated originally with Mr. Crandall and Mr. Shamo. But
6 later on, they were being paid, toward the last few months,
7 \$3,500 each per month for doing the processing of the
8 Pharma-Master website, processing the pills and packaging
9 those. And initially they were also sending those boxes out
10 to different post office mail containers.

11 Q Did you do some investigation involving Venmo
12 transactions as well?

13 A Yes, I did.

14 Q And what did you find on that?

15 A I found that Mr. Shamo was using his bank account at
16 Wells Fargo to fund his Venmo account, and that he was using
17 his Venmo account to pay Tonge and Bustin.

18 Q Does that constitute money laundering, in your opinion?

19 A Yes, it does.

20 Q How so?

21 A Mr. Shamo -- it's a lot of work, but he's taking
22 Bitcoin, meeting people on the street, converting that to
23 cash, depositing that cash into his bank account, and then
24 moving that cash from his bank account -- now it's in his
25 account, to his Venmo account, and then using that to pay

1 Tonge and Bustin.

2 Q You talked about postage. Did you find any specific
3 instances where Mr. Shamo used his bank accounts to buy the
4 postage himself?

5 A Yes, I did.

6 Q Let's look at Exhibit 16.20. What are we looking at in
7 16.20?

8 A It's a spreadsheet that was created from his Wells
9 Fargo bank account. It shows deposits and expenses.

10 Q And does it indicate what those expenses were for?

11 A Yes. Oftentimes it does.

12 Q And what was the date on the postal transaction that
13 you identified?

14 A I want to say it was May of 2016.

15 Q May or June of 2016?

16 A Yeah.

17 Q Let me refer you to June 24th of 2016 on the statement
18 here and see if you can identify it.

19 In the blue there in about the middle of the page.

20 A Yeah. It shows a debit card purchase on June 24th,
21 2016 for \$1,032 to the U.S. Postal Service.

22 Q Again, that came directly from Mr. Shamo's account to
23 the Postal Service?

24 A Yes, it did.

25 Q Is that a money laundering transaction?

1 A Yes, it is.

2 Q In what way?

3 A It's proceeds from illegal activity laundered through
4 his bank account and then used to purchase stamps, which are
5 promoting his business. The stamps are used to send the
6 pills that were ordered from the customers of Pharma-Master.

7 Q We're on the subject of promotion. We could refer to
8 that chart next to you, 17.06. There were some others
9 identified involved in the drug trafficking organization.
10 Are you familiar with those people?

11 A Yes. Yes, I am.

12 Q Let's talk about a few of those. Let's talk about
13 Mr. Gygi who's there on the far right in the first full row
14 under Mr. Shamo. What was your investigation with regard to
15 money transferred from Mr. Shamo to Mr. Gygi?

16 A Mr. Gygi worked as a courier. He was the individual
17 who would pick up packages from Tonge and Bustin and ship
18 those out using different mail collection boxes throughout
19 Salt Lake County. He was paid \$4,000 a month by Mr. Shamo,
20 in cash, for doing that.

21 Q And does that constitute promotion?

22 A Yes, it does.

23 Q Let's talk about Mr. Noble. Did you do some
24 investigation as to financial transactions involving
25 Mr. Shamo to Mr. Noble?

1 A Yeah. Mr. Noble, as he stated, worked customer service
2 for Pharma-Master also, and he was paid \$1600 a month by
3 Mr. Shamo, in cash. He did say he took, I think, September
4 off.

5 Q And does that involve promotion, then?

6 A Yes, it does.

7 Q Let's talk generally about the others on that document
8 that we heard testimony were receiving -- the word drops,
9 were receiving money for getting packages at their homes.
10 How does that relate to the promotion of money laundering?

11 A Yeah. Mr. Shamo's providing them cash to receive
12 packages and those packages are used to either -- to
13 manufacture the pills. He was receiving fentanyl and
14 ingredients from Press Club to help make the pills.

15 Q The indictment contains an allegation of conspiracy to
16 commit money laundering. Are you familiar with that?

17 A Yes, I am.

18 Q Are you familiar with the term conspiracy?

19 A Yes.

20 Q Tell us about that. What does it mean by conspiracy?

21 A Conspiracy is usually an agreement by one or more
22 individuals. In this conspiracy to money launder is
23 agreements between Mr. Shamo, Mr. Crandall, specifically
24 Tonge and Bustin to launder money to help further the
25 enterprise. There was an agreement with several

1 individuals. Mr. Noble agreed to perform work in exchange
2 for being paid. Mr. Crandall, same thing, testified that he
3 was being paid \$2,400 a month to do customer service. Tonge
4 and Bustin agreed to be paid by Mr. Shamo. Mr. Shamo would
5 drop off cash in their truck or provide them the cash. So
6 they had an agreement to work for the organization and also
7 an agreement to receive cash.

8 Q And based on your investigation, these weren't written
9 agreements, these were just agreements among individuals to
10 do these certain things?

11 A Yes.

12 Q In exchange for payment, correct?

13 A Correct.

14 Q You heard from Mr. Crandall, Ms. Tonge, Ms. Bustin that
15 they pled guilty to conspiracy to launder money, correct?

16 A Yes.

17 Q What were their roles, then, in this money laundering
18 with Mr. Shamo?

19 A Tonge and Bustin helped purchase stamps, shipping
20 labels. I think I mentioned before, they were individuals
21 who processed the orders from Pharma-Master, got them ready.
22 Initially they also shipped those out.

23 Mr. Noble provided customer support for Pharma-Master.
24 He answered phone calls. Then Mr. Gygi was a courier. He
25 would take the packages that Tonge and Bustin would leave on

1 their doorstep and he would go deposit those into the
2 different mailboxes.

3 Am I missing anybody?

4 Q Probably, but we covered those.

5 Based on law enforcement's investigation, specifically
6 your financial investigation into this drug trafficking
7 organization, who primarily controlled the money generated
8 by AlphaBay and Pharma-Master?

9 A Mr. Shamo controlled the money. All the money went
10 through Mr. Shamo. He owned the Bitcoin wallet that
11 received the funds from Pharma-Master.

12 Q And we saw a sum of money with Mr. Paz. Setting that
13 aside for a minute, where was the majority of the money
14 found when law enforcement took down the organization?

15 A It was found in Mr. Shamo's house at Titian Way in
16 Cottonwood Heights.

17 Q And the Bitcoin as well, where was that found?

18 A It was found on Mr. Shamo's computer.

19 Q And in his wallets?

20 A And in his wallets on his computer and his phones.

21 MR. STEJSKAL: May I have a moment, Your Honor?

22 THE COURT: Yes.

23 THE WITNESS: That's a lot of sticky notes.

24 MR. STEJSKAL: No. There's only two.

25 //

1 BY MR. STEJSKAL:

2 Q One's a clarification. It was heard that you testified
3 that Noble answered phone calls. Is that your
4 recollection -- is that your recollection of what happened?

5 A No. He didn't answer phone calls. He answered
6 e-mails. He had access to the Pharma-Master, in part, and
7 he was able to respond to e-mails. He even mentioned that
8 he had some premade up e-mails to different responses. So,
9 sorry, no. He didn't answer phone calls.

10 Q So that was just a misstatement?

11 A Yes.

12 Q We heard some testimony about a Miles Penrose and the
13 fact that he owned IDrive. Is Mr. Penrose depicted on
14 17.06, the government's exhibit?

15 A Yes, he is.

16 Q Where is he?

17 A He's on the bottom left row.

18 Q And is that who you spoke with when you investigated
19 the IDrive transaction?

20 A Yes.

21 Q So this is the same person?

22 A Yes, it is.

23 Q And is he also the individual we talked about earlier
24 that invested in the drug trafficking business?

25 A Yes, he is.

1 MR. STEJSKAL: No further questions.

2 THE COURT: Thank you, Mr. Stejskal.

3 Defense may cross-examine. Ms. Beckett.

4 MS. BECKETT: I only have one sticky note and it's
5 from Mr. Skordas.

6 THE WITNESS: Oh, good. It's going to be short.

7 MS. BECKETT: No. These are just Mr. Skordas
8 reminding me to talk slower for the court reporter.

9 CROSS-EXAMINATION

10 BY MS. BECKETT:

11 Q So I believe it was your testimony that you were
12 present for the interview of Jeremy Lapin?

13 A Yes.

14 Q He's the landlord for the Titian Way residence,
15 correct?

16 A That is correct, yes.

17 Q He owned that home?

18 A Yes, he did.

19 Q When you interviewed him, did he tell you anybody else
20 was on the lease for that home at Titian Way?

21 A Yes. He said Luke Paz was also on the lease.

22 Q And that he had signed that lease in 2016, correct?

23 A That is correct. He said that he'd only seen Luke Paz
24 there one time during the whole time that he'd been on the
25 lease.

1 Q But Mr. Lapin wasn't around all that often, was he?

2 A I assume not. Like a landlord, probably doing work on
3 the house occasionally.

4 Q Could we look at Government's Exhibit 21.18, page two.
5 It's an e-mail you indicated came from Mr. Shamo to Jeremy
6 Lapin. That particular e-mail says, hey, here is our
7 incoming Bitcoin wallet, correct?

8 A It does.

9 Q It does not say here is my Bitcoin wallet, correct?

10 A It says our.

11 Q Refers to investors, employees, and himself?

12 A Yes.

13 Q I believe part of your testimony is that Mr. Paz had
14 some involvement in these cash transactions, correct?

15 A I didn't testify to that. I did say that we received
16 cash that was voluntarily surrendered by Mr. Paz.

17 Q Are you aware of Mr. Paz's involvement in converting
18 large amounts of Bitcoin to cash?

19 A Yes.

20 Q You're aware that he was an individual who would meet
21 people for peer to peer transactions and receive a
22 significant amount of cash?

23 A Yes. I'm aware that he was helping Mr. Shamo launder
24 his money.

25 Q And your testimony was that Mr. Paz turned over a

1 little over \$800,000 in cash, correct?

2 A That is correct, yes.

3 Q And that wasn't until August of 2018, correct?

4 A Yes.

5 Q A significant amount of time after November of 2016
6 when Mr. Shamo was arrested, correct?

7 A That's over a year, yeah.

8 Q Almost two years?

9 A Almost two.

10 Q But he still had \$800,000 in cash?

11 A Mr. Paz did, yes.

12 Q You testified that Mr. Crandall conducted some -- had
13 some cash deposits made into his bank account; is that
14 correct?

15 A That is correct, yes.

16 Q And Mr. Crandall was able to track the user down online
17 from a foreign country to deposit cash into his account,
18 correct?

19 A I'm not sure about that. Can you repeat that question?

20 Q Do you know where Mr. Crandall was when he had Scott
21 Wilkes deposit money into his bank account?

22 A He was in Asia, I'm pretty sure.

23 Q So nowhere near Salt Lake?

24 A That's correct, yes.

25 Q But he was able to track somebody down here in the Salt

1 Lake valley to deposit money into his account?

2 A Yeah. I think he stated that he had found someone on
3 LocalBitcoin.com, and that was Scott Wilkes with Salt Lake
4 City Bitcoins.

5 Q And he was able to track that person down pretty
6 quickly, correct?

7 A Yeah, on the Internet.

8 Q The same day that Mr. Shamo was arrested, correct?

9 A That is correct, yes.

10 Q Is that, as you referred to previously, a sign of
11 concealment?

12 A Yes. It is concealment, money laundering by
13 Mr. Crandall.

14 Q And that particular transaction was not really
15 associated with Mr. Shamo, correct?

16 A The funds had come from Mr. Shamo, yes, they did. So
17 it is associated with Mr. Shamo.

18 Q According to Mr. Crandall, that money came from
19 Mr. Shamo?

20 A According to Mr. Crandall, yes.

21 Q If Mr. Crandall were using these peer to peer Bitcoin
22 transactions, I believe it was your testimony there wouldn't
23 be a paper trail, correct?

24 A On the three Bitstamp transfers into his bank account,
25 that is correct. On the cash deposits into his account, no,

1 there was no paper trail.

2 Q Part of your testimony is that Mr. Crandall said he
3 would make these \$10,000 Bitcoin transactions, and 5,000 of
4 that would go to Mr. Shamo and that he would keep 5,000 for
5 himself?

6 A Yes. He said he was helping Mr. Shamo launder money.

7 Q Is there any proof that he gave that money back to
8 Mr. Shamo and didn't keep it for himself?

9 A Just the testimony.

10 Q The same goes for his testimony that the money he was
11 receiving was simply wages, correct?

12 A Well, he said that the money he was receiving was
13 partly wages, but he was also receiving money that was
14 payout for the business prior. So it was wages and payout,
15 depending on when he received it.

16 Q But that was based just on his statements to you,
17 correct -- or his statements in general?

18 A Yeah. Those statements were corroborated by the
19 financial transactions also.

20 Q The fact that they were wages was corroborated by the
21 financial transactions?

22 A No, the fact of the amounts. He said that he was paid
23 approximately \$2400 a month. There were several
24 transactions pretty close to that same amount.

25 Q Are you aware that Mario Noble testified to actually

1 being an individual who recruited people to essentially work
2 in this organization?

3 A He stated that he helped get people to receive packages
4 as drops. He did say that.

5 Q Specifically, I believe that was individuals with the
6 last name of Vance and Bruner. Does that sound correct?

7 A That sounds correct. I'm not 100 percent sure, but
8 that's correct.

9 Q I apologize. I almost cut you off.

10 Do you remember Mr. Noble stating that he, in fact,
11 received money and benefited from that?

12 A Yes, he did. I think it was like \$100.

13 Q Is that money laundering?

14 A It actually is, yes, promotion.

15 Q Not just a conspiracy to commit, but actual money
16 laundering itself, correct?

17 A Money laundering and a conspiracy because Mr. Shamo is
18 also involved in giving Mario Noble the cash, which moved on
19 to those drops. So it's part of the conspiracy with
20 Mr. Shamo.

21 Q Based on the testimony just of Mario Noble, though,
22 correct?

23 A There were other drops. In the drops that Mario Noble
24 recruited, it is just based on his testimony, yes.

25 Q The same for Ms. Tonge? I believe there was testimony

1 that she recruited an individual by the name of Elise
2 Christensen?

3 A I don't remember that testimony. Sorry.

4 Q That's not a problem.

5 MS. BECKETT: Just one second, Your Honor.

6 THE COURT: Yes.

7 MS. BECKETT: I have no further questions,
8 Your Honor.

9 THE COURT: Thank you, Ms. Beckett.

10 Mr. Stejskal, redirect.

11 REDIRECT EXAMINATION

12 BY MR. STEJSKAL:

13 Q Let's go back to 21.18, page two, that e-mail. The
14 line about the Bitcoin wallet, what does it refer to the
15 employees belonging to?

16 A Can you repeat that question? I didn't quite
17 understand it.

18 Q It says our Bitcoin wallet. Why don't you just read
19 the line again.

20 A Okay. Here's our incoming Bitcoin wallet. Any profits
21 made come here first and distrusted to investors, my two
22 employees, and myself.

23 Q So that statement is from Mr. Shamo based on the --

24 A Yeah, to Mr. Lapin.

25 Q So he's saying Mr. Shamo's two employees, correct?

1 A Yes.

2 Q Now you said the purpose of this e-mail was to rent
3 property from Mr. Lapin based on your investigation,
4 correct?

5 A Yeah. He's needing to show Mr. Lapin that he has a
6 source of income to pay his rent. Mr. Lapin is not going to
7 allow him to rent a house without a source of income.

8 Q So based on your investigation, did Mr. Shamo lie about
9 having legitimate income in Bitcoin?

10 A Yes, he did. He often told people that he was either
11 trading Bitcoin or mining Bitcoin and that was the source of
12 his income.

13 Q Are you familiar with Luke Paz?

14 A Yes, I am.

15 Q Did Luke Paz have another residence where he lived
16 during the period of this trafficking organization?

17 A Yes, he did.

18 Q Did you receive any indication during your
19 investigation that Mr. Paz lived at this Titian Way address?

20 A No, I did not. Just the rental contract with his name
21 on it. But again, interviewing the landlord, the landlord
22 said he almost never saw him there. I think one time.

23 Q Did Mr. Paz have legitimate employment throughout this
24 period, and specifically when this e-mail was sent?

25 A Yeah. He worked for a couple of different home

1 security system companies. He was selling home security
2 systems. A lot of times he was in Texas and Louisiana
3 selling those security systems.

4 Q So based on that, he, unlike Mr. Shamo, could provide
5 employment records to the landlord to rent an apartment --
6 or a house, correct?

7 A Yes, that is correct.

8 Q Thank you.

9 MR. STEJSKAL: That's all the questions I have.

10 THE COURT: Any recross?

11 MS. BECKETT: No, Your Honor. Thank you.

12 THE COURT: Thank you. You may step down.

13 Do you want to start another witness or take a
14 second break?

15 MR. STEJSKAL: Probably second break, Your Honor.
16 It's been about an hour and a half.

17 THE COURT: Okay. We'll be in recess for about 30
18 minutes.

19 (Jury excused)

20 (Recess)

21 (Jury present)

22 THE COURT: You may call your next witness,
23 Mr. Stejskal.

24 MR. STEJSKAL: Thank you, Your Honor.

25 The United States next calls Jeff Bryan.

1 THE COURT: Come forward and be sworn, please.

2 JEFF BRYAN,

3 Having been duly sworn, was examined

4 and testified as follows:

5 THE CLERK: Please state your name and spell it
6 for the record.

7 THE WITNESS: Jeff Brian. J-e-f-f-, B-r-y-a-n.

8 THE COURT: You may proceed.

9 MR. STEJSKAL: Thank you, Your Honor.

10 DIRECT EXAMINATION

11 BY MR. STEJSKAL:

12 Q Your occupation?

13 A I'm a financial investigator for the Drug Enforcement
14 Administration. I'm a contract employee.

15 Q And how long have you been doing that?

16 A About a year and a half -- a little over a year and a
17 half.

18 Q What were you doing before that?

19 A Prior to that, I was a DEA agent, a special agent,
20 since 1991.

21 Q And I'm not used not to calling you special agent
22 because you've been a special agent for a long time. Can I
23 still call you that?

24 A Nope.

25 Q Retirement must be good.

1 A It is.

2 Q Tell us about your educational background.

3 A I graduated with a bachelor's degree from the
4 University of Utah in sociology, with a certificate of
5 criminology.

6 Q And following that education, did you go directly into
7 DEA?

8 A Yes, I did.

9 Q Tell us about your training, then, upon becoming a DEA
10 agent and then continuing that training. And let's split
11 that a little bit between your training with regard to drug
12 trafficking and kind of separate training with regard to
13 financial investigations and money laundering because I
14 believe those are two different aspects of what you've done
15 over your career.

16 A New special agents are trained at the Quantico DEA
17 Academy. We're co-located with the FBI there. We have our
18 own training academy because we're trained differently, and
19 our training is approximately four months. It varies from
20 year to year, depending on who's in charge and what they're
21 being trained on, but it's about four months long.

22 In that training, we are trained with all kinds of
23 investigative techniques, interviewing, surveillance, report
24 writing. We're trained on defensive tactics and firearms,
25 everything that we need to know to do our job when we get

1 assigned to our location.

2 Q And then after receiving that initial training that all
3 agents receive, have you received other trainings in either
4 your specialty or just periodic updates?

5 A Yes. Throughout an agent's career, you have the
6 opportunity to go to in-service training, and a lot of it is
7 personal preference on what kind of investigations you want
8 to try to do or what you have an aptitude for. And so I was
9 trained initially -- not too long after the academy, I was
10 trained in clandestine laboratories. So I became certified
11 to enter laboratories with all the suits on, and the SCBAs,
12 and dismantle methamphetamine laboratories.

13 And then I became a site safety instructor. So that's
14 another certification where when we would dismantle a
15 laboratory, because of the toxic nature of the chemicals and
16 the by-products of methamphetamine labs, we would have to
17 designate an area for that cleanup, and safe zones, and
18 clean zones, and dirty zones, and they were progressive. So
19 we were trained on how to do that to keep the environment
20 safe and people safe while we processed the evidence of a
21 lab. And that's just one example.

22 There are other trainings on conspiracy, for example,
23 what is a conspiracy and how do you investigate a conspiracy
24 investigation. There were trainings of different interview
25 techniques that are more specialized than we reached in the

1 academy. And those are throughout an agent's career.

2 I attended a training not too long before I retired
3 because I didn't know I was going to retire. So throughout
4 an agent's career, we receive this in-service training that
5 is put on either by the Department of Justice or other
6 government entities, or by companies, such as a company -- I
7 attended a training from Coinbase. An individual from the
8 company called Coinbase, which is a virtual exchange
9 company, a virtual currency exchange company, came out and
10 trained us on what virtual currency is and how it's used.
11 So those kinds of trainings are typically what an agent goes
12 through and that I participated in as well throughout my 28
13 years.

14 And along with those, we also are trained in financial
15 investigations.

16 Q Let me stop you for a second before you go into the
17 financial side. There's one more from the drug side I'd
18 like to highlight, and that's pharmaceutical drug training?

19 A Yes. So at different periods of an agent's career,
20 drugs and their -- the drug of choice for a community or a
21 society kind of evolves and changes. When I first hired on,
22 cocaine was very popular. And shortly after that, LSD was
23 very popular. And then after that, methamphetamine
24 absolutely took over and we were all focused on
25 methamphetamine.

1 And then what was your question?

2 Q Your training with regard to pharmaceutical drugs and
3 how it became that.

4 A Sorry. So in 2009, it became very apparent that a lot
5 of pharmaceuticals were being diverted and abused. And so
6 DEA started to focus heavily on the pharmaceutical industry
7 and how it's being diverted on the street. So at that time
8 I attended a pharmaceutical drug training. Because as
9 agents, we have a -- DEA is kind of divided in two parts.
10 We have the special agents, which is the criminal
11 investigation side, and we have diversion, which is the
12 regulatory side of DEA. So they work with the doctors and
13 their licenses, and the pharmacies and the legal production
14 and dissemination of legal pharmaceutical drugs, and that is
15 controlled by DEA as well. So we have a criminal side and
16 we have an administrative side.

17 And so at that time, as an agent I hadn't worked with
18 pharmaceutical drugs very much, and it became -- people
19 started trafficking pharmaceuticals, so we had to treat
20 pharmaceuticals just like any other street drug. And so on
21 the criminal side of the house, we started to investigate
22 pharmaceutical diversion. So I attended a training on
23 pharmaceuticals.

24 Q And then let's talk about the financial side as well.
25 It looks like you received training in money laundering

1 investigations, asset forfeiture, a specific financial
2 investigation seminar. Tell us a little bit about your
3 training in that part.

4 A Yes. So throughout the course of an investigation,
5 oftentimes people who traffic in narcotics or drugs, they
6 make a lot of money, and sometimes it's hard to hide that
7 money. And we try to seize assets that are derived from the
8 illicit proceeds of that trafficking activity. So we receive
9 training on how that happens, how do people conceal their
10 money, how do they accumulate assets, and how do they try to
11 hide them so it doesn't look like it belongs to them, and
12 how did they move their money back and forth. So we receive
13 training on that.

14 Q In addition to your training, you have vast experience
15 since -- I believe you said 1991, correct?

16 A Yes.

17 Q Explain for the jury kind of the progression of your
18 career, how you moved into different areas as you became a
19 more experienced agent.

20 A Okay. As I said, when I first hired on, cocaine was
21 very prevalent here in Utah. I hired on here. My first
22 area was here in Utah. And as an agent, we go undercover
23 and we purchase drugs so that we can testify to the fact
24 that we purchased drugs from an individual or from an
25 organization. And that's called a controlled purchase,

1 which means we're purchasing illegal substances, but it's
2 controlled. We're using official, authorized government
3 funds for that. And we never do it by ourselves. We have a
4 whole group of people that are there observing, and
5 watching, and protecting as we are undercover. It's not
6 like TV where people go to parties and things like that. We
7 never use or simulate the use of drugs when we're
8 undercover. It's strictly a business proposition or
9 business deal.

10 So we do a lot of that in DEA. We purchase drugs from
11 trafficking organizations. And I did that a lot as a
12 younger agent. And then in 1998, I was selected to go to
13 Sao Paulo, Brazil for a four-year period where I worked
14 primarily cocaine trafficking from cartels in Colombia,
15 Bolivia, and Peru, who were using Brazil as a transit
16 country to send cocaine to the United States and other parts
17 of world. So I did that for four years.

18 Then I was able to come back to Salt Lake, which was
19 kind of unusual to get the same spot twice, but I was
20 fortunate, and came back to Salt Lake and worked traditional
21 drugs again, methamphetamine and cocaine. And also at that
22 time Ecstasy became very popular. This was in the early
23 2000s. Ecstasy is MDMA. So I worked a lot of Ecstasy
24 cases.

25 Then I was selected to be on what was called a FIT

1 team, which is a financial investigations team, and it was a
2 task force within the DEA. And there were several agencies
3 that were involved, including IRS, and some local
4 departments. And we concentrated and focused on drug
5 trafficking organizations that were highly successful, that
6 had a lot of assets and were moving a lot of money. So we
7 focused on kind of the bigger organizations so that we could
8 go after them financially and follow the money, sometimes
9 back to the drugs. So I did that for a period of about
10 three and a half to four years.

11 And then near the end of 2009 or beginning of 2010,
12 that's when pharmaceutical diversion became very prevalent
13 and prominent, and it became a real problem that DEA
14 recognized. So we formed a group within the DEA called the
15 TDS, or the tactical diversion squad, and I became a member
16 of the tactical diversion squad in 2010. And that's when we
17 started focusing primarily -- my group, anyway, started
18 focusing primarily on the diversion of pharmaceutical drugs.

19 Most commonly and most prevalent, it was oxycodone,
20 because that is kind of the pharmaceutical that is most
21 sought after on the street is oxycodone. And so I did that
22 until the beginning of 2018 when I retired.

23 Q And you couldn't stay away, so you came back to DEA as
24 a contract financial investigator?

25 A That's right.

1 Q Twenty however many years wasn't enough. Okay.

2 So you have experience both domestic and international,
3 correct?

4 A Yes.

5 Q And you've done investigations from small individuals
6 or organizations up to -- I think you said cartel activity
7 when you were in Brazil?

8 A Yes.

9 Q And during those investigations and throughout your
10 career, have you developed expertise in a lot of things that
11 are involved with drug trafficking?

12 A Yeah. And a lot of that is just on-the-job training.
13 We go to training, in-service training, but really to
14 understand and to become a good investigator, a lot of it is
15 just trial and error, and experience. And so that's what
16 you develop. And any investigator who has -- any police
17 officer who does that for an amount of time develops those
18 abilities to be able to investigate and recognize and put a
19 case together.

20 Q Part of that experience was in types of drugs and
21 dealing with different drugs over the years?

22 A Yes.

23 Q And lately that has evolved into pharmaceuticals?

24 A Yes.

25 Q What types of drugs are we talking about when we're

1 talking about the pharmaceutical area and the tax diversion
2 squad?

3 A I think I mentioned the most common -- or the most
4 sought after is oxycodone.

5 Now oxycodone is the generic term for the drug
6 oxycodone. Much like Ibuprofen is a generic term. The
7 brand name for Ibuprofen would be Advil or Motrin, for
8 example. So oxycodone would be the Ibuprofen. It's an
9 analgesic. It's a painkiller. It's very effective and a
10 very good, effective drug, but it has a high potential for
11 abuse and addiction.

12 So some of the names for oxycodone would be -- you may
13 have heard of Oxycontin. When the pharmaceutical thing
14 first took off, Oxycontin was the most sought after pill.
15 They were called Oxy 80s because they contained
16 80 milligrams of oxycodone, and they were a time-release
17 pill. So if you took the pill like you were supposed to as,
18 for example, a cancer patient would take Oxycontin 80s, it
19 was a timed release. So it had 80 milligrams. That's a lot
20 of oxycodone, but it was released over a period of time so
21 they didn't have to keep taking pills throughout the day to
22 kill their pain.

23 Well, drug abusers soon realized that there was a lot
24 of drug in those, and so they would crush them and snort
25 them, or smoke them, and it was a huge problem because they

1 were very addictive.

2 So that is -- a brand name would be Oxycontin. Or
3 Percocet has oxycodone in it. Or Roxicodone has oxycodone
4 in it. So those are brand names. But the pill that
5 we're -- or the drug or the active ingredient we're talking
6 about is oxycodone. Those are very sought after.

7 There are other pharmaceutical pills that are also
8 abused, such as Xanax, or on the street they're called
9 Xannie bars because they look like a bar, like a Tylenol
10 bar. And there are other pharmaceuticals that are also
11 abused. But most of the illicit desire or the illicit use
12 of pharmaceuticals is for narcotics or painkillers, or more
13 specifically oxycodone.

14 Q And opioids?

15 A And it is an opioid, the oxycodone is.

16 Q You described that early in your career you were
17 primarily involved with what I would call traditional
18 investigative techniques, undercover work, use of
19 confidential informants, conducting surveillance, those
20 types of things; is that right?

21 A Yes.

22 Q Did you and, I guess, law enforcement generally evolve
23 into more sophisticated techniques like tracking of
24 vehicles, phones, computers, financial investigations?

25 A Yes. We try to keep up with technology. Usually the

1 traffickers are ahead of us with apps and things like that
2 to conceal their communications and things like that. But
3 we try to keep up and we use things like vehicle trackers,
4 and we have to have a warrant to put that on a vehicle.

5 We still employ the use of traditional investigation
6 techniques such as going in and buying the drugs. There's
7 no better evidence than actually seizing or buying drugs
8 from the individual who is trafficking it. And then we
9 conduct interviews and we try to find out who's in charge,
10 whose drugs were they, and then we try to corroborate that
11 evidence through other means, through bank records, through
12 rental car records, and things like that. So the
13 information that we gather investigatively, we always try to
14 corroborate by other means.

15 Q So throughout combining your training and your lengthy
16 career, have you developed expertise into the common methods
17 and means that drug traffickers employ to carry on drug
18 trafficking?

19 A Yes.

20 Q Have you testified as an expert before with regard to
21 drug trafficking?

22 A Yes, I have.

23 Q And so that's why we have you here today is to testify
24 to some general concepts and trends in drug trafficking; is
25 that correct?

1 A Yes.

2 Q You were in the tactical diversion squad when you were
3 at DEA, but you didn't have a whole lot of direct
4 involvement with the investigation of Aaron Shamo in this
5 case, correct?

6 A I did not. I had some other cases. I assisted
7 sometimes with evidence processing and things like that, but
8 I was not the case agent.

9 Q So using your expertise, let's talk about a few things
10 to try to help the jury understand drug trafficking and
11 other things. What are some things that all drug
12 trafficking organizations must have? Let's talk first about
13 source of supply.

14 A Okay. Well, in order to traffic drugs, you have to
15 have the drugs, and whether these are illicit drugs like
16 cocaine, and methamphetamine, and heroin, and now the big
17 focus is on pharmaceutical drugs, in order to be a drug
18 trafficking organization, you have to obtain the drugs in
19 order to sell them. That would be the first requirement I
20 would think.

21 Q And are there a couple ways to do that? You can
22 probably either buy them or make them?

23 A Yes. You know, historically, methamphetamine was made
24 here in the U.S. And here in Utah specifically,
25 methamphetamine was manufactured, and we had a huge

1 methamphetamine lab problem here in Utah, so much so that
2 when we started to get methamphetamine that would come from
3 Mexico, they knew -- and we knew this from our
4 investigations and interviews, and listening to phones, we
5 knew that the individuals who were bringing the
6 methamphetamine to Utah, they had to bring pure
7 methamphetamine because the Utah drug users demanded that it
8 be high quality methamphetamine. So that was kind of an
9 anomaly.

10 But yes, they either have to purchase the drugs already
11 made or they have to manufacture those drugs.

12 Q And in what ways can drugs be manufactured?

13 A Well, you have to have the ingredients. It's kind of
14 like baking cookies. You have a recipe and you need the
15 ingredients that are on that recipe, and then you need
16 certain equipment. For drugs, for pills, for example, you
17 have to have the active ingredient, in this case oxycodone,
18 or something that is similar to oxycodone and other opiates,
19 such as fentanyl, and you need other materials, such as
20 binders that hold the tablets together, and there are other
21 materials.

22 But then you also need equipment, such as presses and
23 dies that actually imprint an imprint on the pills
24 themselves to make them appear to be legitimate manufactured
25 pills by pharmaceutical companies.

1 So yes, they have to be manufactured in a way that is
2 similar to the real pills in order to be sold on the street.

3 Q So all drug trafficking organizations need a source of
4 supply, correct?

5 A They need a source of supply? Yes.

6 Q How about a way to market or sell it to others?

7 A Yes. So a drug trafficking organization is really just
8 like any other business. They're just selling an illicit
9 product. They need their product to sell and they need
10 people to sell them, or they need people to transport the
11 product to where they're going to sell them, and then they
12 need people who are going to buy them. And drug trafficking
13 organizations work the very same way as a legitimate
14 business. So there is someone in charge of making that
15 happen and there are people that have delegated
16 responsibilities to do their part.

17 Q Is it fair to say that over the course of your career
18 you've investigated many drug traffickers and drug
19 trafficking organizations?

20 A Yes.

21 Q Do they come in different structures and sizes?

22 A Yes.

23 Q Explain that for us.

24 A Well, I'll use the analogy again of a legitimate
25 business. You have Amazon.com that is huge all over the

1 world and there's one guy in charge. But you also have
2 businesses, like a landscaping business that started up by a
3 father and his son, and they hire some neighborhood kids,
4 and they might employ 15 people, but that's considerably
5 smaller than Amazon.com. And there's an unlimited range of
6 different kinds of businesses and sizes of businesses, and
7 it's just like that with drug trafficking.

8 Some businesses -- some drug traffickers start out on
9 their own. They have enough capital to get it going to
10 purchase their initial drugs and sell it. And some need
11 some investors to be able to buy the product or buy the
12 equipment needed to manufacture, and things like that. So
13 if you compare it to a regular legitimate business, it's
14 very similar. They're just selling an illicit product that
15 is illegal.

16 Q So regardless of the organization, then, and the size
17 of the organization, there are certain roles that need to be
18 carried out in order to make the operation successful?

19 A Yes.

20 Q And if I understood you, sometimes one person can
21 handle everything?

22 A Yes. A smaller organization would be one person goes
23 and buys the drugs from whoever his source of supply is, and
24 then sells it to his customers all by himself and keeps all
25 the profits.

1 Other organizations may employ others to help them with
2 that, and it could be as simple as, hey, will you go rent
3 this car for me. And then they use that car to go to
4 California and pick up drugs and come back. And their name
5 isn't on that rental car agreement, but someone else's is,
6 and they would pay that person a nominal fee to do that for
7 them.

8 That's just an example of the creativity and the amount
9 of diversion and different ways that a drug trafficking
10 organization can work. It's really as far as their
11 imagination can go and how much they want to succeed and how
12 successful they want to be.

13 Q So tell us about the evolution of a developing drug
14 trafficking organization, that maybe it starts off small
15 with a single individual, and then as it expands, the
16 different roles that need to be filled.

17 A Okay. Typically it's not hard to imagine how someone
18 gets into drug trafficking. Many get into drug trafficking
19 because they are using the drug themselves -- not all, some
20 don't, and they do it primarily for the monetary reasons of
21 drug trafficking.

22 But a lot of drug trafficking organizations start
23 because they have to go buy the pills, or the drug, whatever
24 kind of drug of choice that they have, but it's expensive.
25 It's not hard at all to have a hundred dollar a day drug

1 habit. And so in order to supplement their income enough to
2 be able to buy their drug, they buy a little bit extra and
3 sell it. And so that's sometimes how it starts. They're
4 doing it just to support their own habit. And then
5 oftentimes it becomes -- they become familiar with the
6 individuals who are supplying the drug and they start buying
7 more and more and more, and pretty soon they're buying
8 enough that they have so many customers that they can't
9 handle them all, so they go into business with someone, and
10 that person then handles some of the customers and the
11 original person handles some of the customers.

12 Or a drug trafficking organization is a couple of
13 buddies that say, hey, let's do this. I've got this much
14 money and you've got this much money, let's put it together
15 and go buy a kilo of cocaine, or whatever the drug of choice
16 is, and that's how they start.

17 So it generally starts small, because you have to build
18 reputation with the source of supply and you have to build
19 up a customer base just like any other business. And as it
20 grows, more people become employed and tasks become
21 delegated to them, and there's someone who is in charge of
22 making those decisions. And that's kind of how it evolves.

23 Q Let's talk about that last concept, then, of somebody
24 being in charge. What types of things does the person in
25 charge be responsible for or remain responsible for? Let's

1 talk first about defining the scope of the operation.

2 A Well, again, it's relative to the size of the
3 organization. But whoever is in charge is making the
4 decisions on who does what, who is delegated for what, where
5 does the money come from and where does the money go, who
6 keeps the money, who uses that money in furtherance of the
7 business. They promote the business with their illicit
8 proceeds. And so that person who was in charge makes those
9 kinds of decisions, personnel, things that are purchased for
10 the business, such as manufacturing equipment, or vehicles,
11 or plane tickets, or rental cars. Those are all decisions
12 that are made by the person in charge or who he delegates
13 that to, or she.

14 Q So if I understood you correctly, they will define
15 what's being sold?

16 A Uh-huh. (Affirmative)

17 Q They'll procure a source of supply?

18 A They'll set the price of those drugs. They're
19 ultimately in charge just like someone who runs a business.

20 Q And when these other roles are filled, who hires those
21 people to fill those other roles?

22 A The person in charge, the leader, organizer of that
23 organization.

24 Q How about the money and the profits, who controls the
25 money and the profits?

1 A That individual would also be in charge ultimately of
2 the money, and typically they would receive the bulk of the
3 proceeds, but they have to share it with people who are
4 doing some of the work or they wouldn't do it either. So
5 that person is in charge of the funds, of the proceeds of
6 the incoming and outgoing, and they typically will delegate
7 jobs to others, and they may give people more authority than
8 others. They're in charge so they decide that.

9 Q Is it often structured like a business where the
10 leader, organizer is like the CEO and they make the most
11 money and then money kind of trickles down?

12 A Typically it is, yes. And the leader, organizer
13 sometimes is very hands off. They don't want to be around
14 the drugs at all. Once they get to a certain point, they
15 delegate everything. Other leaders, organizers are very
16 involved, and they want to be involved, and they want to be
17 hands-on, just like -- we've all had bosses who let us do
18 our job and we have bosses who are right involved with us
19 and kind of managing us. So the same thing with drug
20 trafficking organizations.

21 Q Let's talk a little bit about traditional drug
22 trafficking organizations, the seller on the street corner
23 versus -- are you familiar with online drug trafficking?

24 A Yes.

25 Q Can you kind of compare and contrast?

1 A Yes. So traditional drug trafficking operations, they
2 generally sell their product locally because they deliver it
3 hand to hand and they receive the money hand to hand. So
4 they communicate however they're going to communicate, on an
5 app, or on a telephone, or in person, and they will make
6 arrangements to meet an individual to purchase a certain
7 amount of drug for a certain amount of money. That price is
8 negotiated, and they will meet them and do the exchange in
9 person.

10 An online drug trafficking business isn't like that.
11 There still is product and there still has to be an
12 exchange, but it's generally not done in person. Funds are
13 transferred either by Venmo, or by Bitcoin, or depositing
14 into bank accounts. There's a lot of ways to move money to
15 another location. And then that individual who purchased
16 that drug receives that drug either in the mail or another
17 type of courier service. So it's not a face-to-face
18 meeting, but it's an online transaction, just like you would
19 order something from Amazon.

20 Q Let's talk real quickly and briefly about that delivery
21 service. So online, are you familiar with them using the
22 Postal Service?

23 A Yes.

24 Q It's been sadly joked that the Postal Service is the
25 largest drug distributor in the United States.

1 A Unfortunately, it might be true.

2 Q Tell us about your experience with the Postal Service
3 being used by drug trafficking organizations to deliver
4 narcotics.

5 A Well, it's also joked that sometimes it's not very
6 reliable, but in actuality, the Postal Service is very
7 reliable. And drug traffickers will use the Postal Service
8 for a couple of reasons. They prefer the Postal Service.
9 That doesn't mean that they don't use UPS and FedEx, and
10 other couriers, but generally they prefer the Postal
11 Service. One reason is the sheer volume. Millions and
12 millions and millions of letters and packages per day are
13 sent through the U.S. Mail. And so the sheer volume alone
14 helps a small package with a few pills in it get through
15 without any detection at all. That's one reason. It's just
16 a -- it's a needle in a haystack.

17 The other reason is once that package is mailed, for
18 law enforcement to open that package, it requires a search
19 warrant, and it's sometimes difficult to get a search
20 warrant for a package when you suspect what's in there but
21 you don't have any probable cause to give to a judge stating
22 why you believe that there's pills in there, unless you've
23 done an investigation and you know this individual is
24 sending packages via mail and you can articulate that in an
25 affidavit and then get a search warrant. But that's not a

1 ten-minute thing. It requires a lot of effort and work.
2 And so that's another reason that the Postal Service is
3 used.

4 Another reason that the Postal Service is used is
5 traffickers -- it's possible to purchase postage with
6 Bitcoin. They can purchase the postage fees with Bitcoin.

7 So those are three reasons that I know of why
8 traffickers prefer U.S. mail.

9 Q Let's talk a little bit also about the price of drugs.
10 Are there various factors that affect the price of drugs in
11 any given area at any given time?

12 A Yes. There are a lot of factors that determine how
13 much a drug costs in a particular area. The first, of
14 course, will be supply and demand. Just like any other
15 business, supply and demand drives the price of goods. But
16 there are other factors in the drug world that also affect
17 the price of drugs. The first would be the purity of the
18 drug, how pure is that drug.

19 Now if you have a mid level cocaine trafficker who is
20 buying three or four ounces of cocaine at a time to
21 redistribute, and typically they'll sell it like a gram at a
22 time. So 28 grams in an ounce, and they have three or four,
23 that's a hundred or so grams of cocaine. So they buy it in
24 ounces and they divide it up into grams to sell. The purity
25 of that drug will help determine the price of the drug.

1 If they're selling grams that are very high purity,
2 somewhere around 85 or 90 percent pure cocaine, that's worth
3 a lot more than grams that have been cut with another inert
4 substance, such as inositol, or some other substance. And
5 they sometimes will do that because this person that buys
6 three or four ounces will then get their three or four
7 ounces and they will add three or four ounces of this inert
8 material. Now instead of three or four ounces, they have
9 six or eight ounces that they can divide up and sell. So
10 they've essentially doubled their product -- doubled the
11 amount of their product, but it's not as pure. So on the
12 street, it's hard to know exactly how pure the drug is going
13 to be.

14 So that brings up the next factor in the price of
15 drugs, and that's how well you know your dealer, what your
16 relationship with your dealer is. If it's someone that
17 you've been dealing with for a long time and you know that
18 they don't cut their cocaine, you're willing to pay a higher
19 price for that. Also in knowing your dealer, it might be a
20 personal friend, or a family member, or a high school buddy,
21 and typically they get a little price break. Your
22 relationship with your source of supply is very important in
23 determining the price.

24 Another factor that determines the price of street
25 drugs is the proximity to where it's being sold to where the

1 drug is manufactured or purchased. So historically, if you
2 wanted a good price on methamphetamine, you drove to San
3 Diego and picked it up yourself and brought it back. If you
4 wanted a pound of methamphetamine delivered to you, it was
5 going to be more expensive because there was the cost and
6 the risk of someone else driving it back to you and
7 delivering it to you. So the proximity to the source of
8 supply is also a factor.

9 Another factor in determining the price of drugs will
10 be the consistency or frequency that you purchase that drug
11 from your source of supply. There are traffickers who have
12 just a few customers and they know every Thursday this guy
13 is going to want two ounces, and this is guy is going to
14 want three ounces, and they have set amounts, and they know
15 they're good for it every time and they always bring their
16 money.

17 So the frequency and the consistency also determines
18 the price because he knows -- that drug dealer knows that
19 they're going to get their money on that day. And so the
20 purchaser will say, hey, I'm a good customer. I've been
21 with you for a year and a half and you know I'm on time
22 every time and I bring my money every time, so I want a
23 price break because there's less risk. So they'll typically
24 get a price break.

25 Another factor is the quantity. Just like going to

1 Costco, things are sometimes cheaper there because you have
2 to buy two great big ketchups instead of one little one, and
3 by volume it's a lot cheaper. Even though you're spending
4 more up front, by volume you're getting more ketchup per
5 dollar than if you were to go buy a small one at Smith's,
6 for example. So quantity is a very important factor in
7 determining the price of drugs on the street.

8 There are retail prices and there are wholesale prices,
9 and those are all relative to the size of the drug
10 trafficking organization. A huge drug trafficking
11 organization would consider a hundred pounds to be a
12 wholesale price. A small drug trafficker organization would
13 maybe consider a pound of methamphetamine to be a wholesale
14 price.

15 So it's all relative to the location, to the purity of
16 the drug, to the relationship with the dealer, and the
17 supply and demand in that area.

18 Right now the price of methamphetamine is as low as
19 I've ever seen it in my entire career. In 2008, I
20 personally purchased one pound of methamphetamine. It was
21 very pure, it came right from Mexico because we had a
22 tracker on the car that went and picked it up. One pound of
23 methamphetamine was \$25,000. Just a couple of weeks ago,
24 our office purchased a pound of methamphetamine for less
25 than 3,000.

1 So you see there are so many factors, and right now the
2 supply and demand dictates the price of that. So those are
3 some of the factors that determine the price of drug on the
4 street. And pharmaceuticals follow those same, exact
5 rules -- or factors.

6 Q Let me drill down just a little bit on a couple of
7 those, one being the location and transportation costs. So
8 how has online sales made that different where the cost of
9 transportation maybe are different using the Postal Service,
10 or whatever other means?

11 A Well, there's cost of shipping the pills, but it also
12 sometimes is balanced out by the quantity. So a person is
13 going to have to pay postage, so they're willing to pay a
14 little bit more for their pill. Now if these are real
15 oxycodone pills, or authentic pills, those are typically a
16 little bit more than a counterfeit pill would be because
17 they are harder to get. They're the real deal. They have
18 real oxycodone in them, so they're going to be a little bit
19 more. And you add the price of shipping on that, it could
20 be a little bit more.

21 However, if you're willing to buy several hundred or
22 even a thousand pills at a time, you're going to get a
23 wholesale price. And as long as that money hits the account
24 and you ship it, then that's a good -- that's a wholesale
25 price and you're going to get a much, much better deal as

1 long as you develop that rapport and reputation with your
2 source of supply and he knows the money will be there.

3 Does that answer your question?

4 Q It does. And let me drill down on one other one, and
5 that's the buyer-seller relationship and the trust factor or
6 risk factors involved there. Typically in a traditional
7 drug trafficking organization, you meet the guy on the
8 corner so you see him. Online, that's a little bit
9 different. So how does the trust relationship factor work
10 online?

11 A Okay. So it works very similar to street trafficking.
12 For example, if an agent goes undercover and is introduced
13 to a source of supply by -- usually an informant, generally
14 the first time you make a buy from an individual, you're
15 going to pay a little bit more than you will the third or
16 fourth time because now he sees, okay, this guy is good for
17 the money, shows up, he always has the money with him. It
18 goes without a hitch, everything is safe, no cops. So then
19 after a while they lower the price.

20 Well, online, you don't get that face-to-face rapport,
21 but what you do have online is kind of like Yelp. On these
22 dark web -- these dark web vendor sites, customers leave
23 reviews for the people that they purchase the drugs from,
24 and so they have user names online. And a customer would
25 say -- the black oxy king maybe is his name. Black oxy

1 king -- I'm just making that up -- is a really good vendor.
2 Every time I get my pills on time. Every time they're
3 authentic. Or he's the cheapest and I always get my pills.
4 They leave reviews just like you would at a restaurant.

5 So a first time buyer will go on those dark websites
6 and they'll look at reviews of someone and they'll say,
7 okay, I'm going to try this one. Because there's a real
8 risk there of sending your money to someone -- you don't
9 even know where they are in the world, and you're sending
10 them money with the expectation of getting drugs back. So
11 those reviews become very important.

12 Q And for the vendor, then, who's selling the drugs, that
13 becomes very important to them to maintain positive reviews?

14 A Yes. Yeah, just like eBay or any other website.

15 Q Let's talk a little bit about the pharmaceutical drugs
16 themselves and what we're selling -- some trafficking
17 organizations sell. So what are controlled substances?

18 A Controlled substances are substances that are
19 controlled by the government, and there are different
20 schedules of controlled substances, from Schedule 1 down to
21 Schedule 5, I believe.

22 So oxycodone, for example, is a Schedule 2 drug.
23 Fentanyl is also a Schedule 2 drug, and it's controlled
24 because of its ability or proponents to be addictive or
25 abused. And it also takes into account whether there's a

1 legitimate medical purpose for that drug. So a Schedule 2
2 drug typically is a drug that's produced pharmaceutically,
3 that has a very specific medical need and use, but it's a
4 Schedule 2 because there is a high potential for it to be
5 abused or that it has a highly addictive property.

6 So those are some of the factors that go into
7 determining how a controlled substance is scheduled. But a
8 controlled substance is, simply put, a substance that is
9 controlled by the government for those reasons.

10 Q And oxycodone and fentanyl are both controlled
11 substances, correct?

12 A Yes.

13 Q In addition to price, let's talk about value. Have you
14 specifically been involved in investigations and learn the
15 pricing of pharmaceuticals, such as oxycodone, in the black
16 market?

17 A Yes.

18 Q Tell us about that. What's the pricing like for
19 oxycodone?

20 A Okay. So now we're talking about real oxycodone, not
21 counterfeit oxycodone. Oxycodone is obtained from a
22 pharmacy. It's very common to get prescribed oxycodone
23 after a surgery because it is a very good and effective
24 painkiller. And there are people who get oxycodone
25 prescriptions monthly. So I'm going to use this just as an

1 example. This isn't the person who goes to the dentist and
2 gets four oxycodone pills to get him through the next day.
3 This is someone who purchases oxycodone tablets every month
4 because they're prescribed by a doctor every single month.
5 So it's not uncommon at all for someone like that to get 120
6 oxycodone tablets per month. So that's four per day. All
7 right.

8 When they go to the pharmacy with a prescription signed
9 by a doctor, so it's legitimate, and they go to the
10 pharmacy, without insurance, oxycodone tablets are somewhere
11 between \$1.50 and \$3 per tablet here in Utah at the local
12 pharmacies. There's \$1.50 to a \$3 price, without
13 insurance, if they were paying cash price, which a lot of
14 people do. They pay cash for their pills.

15 So now they walk away with 120 oxycodone pills. If
16 they're selling those retail on the street, not wholesale,
17 if they sold the entire 120, they would get less. But if
18 they're selling them just two, or three, or four at a time
19 to someone, they can get \$30 a pill for those. So that's a
20 significant profit per pill.

21 So a prescription that they walked out of the pharmacy
22 paying \$200 for is now worth about \$3600. And it's not
23 uncommon at all for someone to get that prescription and, in
24 this world we live in, they realize how much that's worth,
25 and that's a pretty good supplement to your income if you

1 sell your pills to someone every month. Unfortunately,
2 there are a lot of people that do it because there are a lot
3 of people that want those pills and they're willing to pay
4 for them. So that's the legitimate market.

5 Now if you're buying them wholesale, you might get them
6 for as low as 15 or 12, depending on all of those factors
7 that we talked about, your relationship, your proximity to
8 the source, the supply and demand, and all those other
9 factors they will determine. So here in Salt Lake, right
10 now, you can pay easily \$30 per pill if you're are buying
11 them retail on the street.

12 Q Legitimate oxycodone pills are controlled, you said, by
13 the federal government?

14 A Yes.

15 Q And they can only be obtained by a prescription?

16 A Yes.

17 Q So people can't obtain say a thousand of those unless
18 prescribed by a doctor, and that's typically more than what
19 a doctor would prescribe?

20 A Yes.

21 Q So have drug traffickers in the black market used other
22 things as a substitute for oxycodone in order to take
23 advantage of the demand?

24 A Yes. So in order to get there, let me just kind of
25 explain how that evolved.

1 So a drug trafficking organization may find or recruit
2 people to go get prescriptions. They go in and say my back
3 hurts chronically. I can't get through the day without some
4 pain pills, and they find a doctor who will prescribe them
5 pills. And a drug trafficking organization may recruit 15
6 or 20 of these people who are getting 120 pills per month,
7 and each month they give them money to go in and get their
8 pills and go to the pharmacy and pay for them, and that is a
9 drug trafficking organization.

10 And sometimes they even fraudulently produce the
11 prescription. It's not a real prescription, but they're
12 forged, and they're very good, and they go to the pharmacy
13 and pass it as a real scrip and they can get their pills
14 that way.

15 Now other trafficking organizations have figured out
16 that they can manufacture the pills that are very popular.
17 The oxycodone pills, for example, the two most common and
18 most popular here in Utah, and pretty much across the
19 country, are what we call the Ms or the As. And they're
20 both blue. They're called blues on the street. They're
21 both blue. They're both round. The Ms are made by a
22 company named Mallinckrodt, and they have a square imprinted
23 on it with an M, a block M inside the square, and on the
24 flip side of that pill, there's a 30 with an underscore.
25 The As have an A on the round pill at the top with an

1 underscore and then a 215. So they're called A 215. Or
2 they're called As, or they're Ms.

3 And drug seekers or users have a preference of which
4 they like. If they smoke them, some of them like the Ms
5 better than the As because of the flavor. Some of them
6 snort them and they like the As over the Ms because it
7 doesn't burn as much, or whatever their preference is. So,
8 again, that would factor into the price of those drugs
9 because one might be sought after by an individual more than
10 another.

11 So the manufacturer of the counterfeit pills, they try
12 to simulate those exact pills. So when they manufacture
13 them, they put blue dye in the pill, and they make them
14 round. They have a press that presses these pills, and the
15 press has dies, on the bottom and on the top, that imprint
16 either the M or the A, and the underscore, and the 215 and
17 the 30. They imprint that on the pill, and then spit it
18 out. And it's a press that goes pretty quick.

19 So that's how they've been able to manufacture these
20 fentanyl pills that don't contain any oxycodone at all. But
21 fentanyl is a synthetic opiate, so the effect is very
22 similar to the oxycodone pill. So a person who is addicted
23 to opiates can take that fentanyl pill and may think that
24 it's oxycodone because it gives them kind of the same
25 effect.

1 Q Is there a high demand for these opioids, specifically
2 these pills, on the street?

3 A Oh, yes. That's why we have this epidemic right now.

4 Q Based on your training and experience in investigating
5 cases, tell us about the profit margin with fentanyl as
6 opposed to oxycodone.

7 A Okay. With fentanyl, they are not purchasing the
8 oxycodone. They're purchasing the fentanyl, which is much
9 more -- I guess the word would be powerful. It's a hundred
10 times more powerful than morphine. So fentanyl is actually
11 measured in micrograms, not milligrams. Oxycodone is
12 measured in milligrams, and Oxy 30 has 30 milligrams of the
13 active ingredient of oxycodone. Fentanyl is measured in
14 micrograms. So milligrams is a thousandth of a gram. A
15 microgram is a millionth of a gram. So that's a big
16 difference. That's how much more potent fentanyl is.

17 So a person that wants to manufacture fentanyl-laced,
18 counterfeit Oxy pills will purchase fentanyl on the dark
19 web. The dark web is essentially a black market Amazon.com,
20 that you can get guns, and explosives, and drugs, and
21 whatever you want on the dark web.

22 So it's not very hard to purchase fentanyl, and it
23 generally comes from China. They get it shipped to someone,
24 or themselves, and then they take that fentanyl and they mix
25 it together, just like cookies, if they have the recipe, and

1 they make these pills for a lot cheaper than they can buy
2 them on the street if they were real oxycodone. So the
3 profit margin is huge in fentanyl pills because you're
4 kicking them out by the thousands and you're not paying,
5 even the pharmaceutical -- the pharmacy price for them, the
6 cash price, you're spitting them out for pennies on the
7 dollar as compared to buying real oxycodone pills.

8 Q Because of that potency of fentanyl and the measurement
9 in micrograms, how important is quality control in the
10 manufacture of pills?

11 A Well, real oxycodone manufacturers are -- they have to
12 be able to certify that there is exactly 30 milligrams of
13 active ingredient. And I keep saying 30 milligrams because
14 it's the Oxy 30s. That's kind of what we're talking about,
15 the 30 milligram tablets. They know that there is precisely
16 30 milligrams of active ingredient in each pill, because
17 those manufacturing companies have very low tolerances of
18 margin of error, and they're mixed in equipment that makes
19 sure that the drug is mixed evenly, and when those pills are
20 produced, each pill has the exact amount in it.

21 With clandestinely manufactured pills, that's not being
22 done in a controlled environment, in a laboratory. It's
23 being done in a basement or a bedroom of a home in blenders,
24 and then it's put in a hopper where it goes into the pill
25 press. So one pill may have high concentration of fentanyl

1 and another pill hardly has any at all. So there's a
2 tremendous risk there of quality control. There is no
3 quality control. Some pills have a lot and some pills might
4 not have any.

5 Q And given the powerful nature of this, risk can be
6 lethal?

7 A Yes.

8 Q Are you familiar with drug trafficking organizations
9 testing for quality on third parties?

10 A I am.

11 Q Tell us about how that works.

12 A I'm trying to remember what year, but it was maybe four
13 years ago, we just first started seeing counterfeit produced
14 oxycodone tablets, at least here in Utah, and it was one of
15 the very first manufacturing labs -- pill manufacturing labs
16 that we took off. We did a search warrant on a hotel on
17 State Street down in Sandy. And they had a pill press in
18 there, and there was blue powder everywhere. And we knew
19 what we had, so we did a warrant. We all got in our suits
20 and we went and processed all the evidence and, sure enough,
21 they were producing Oxy -- counterfeit Oxy 30 tablets. They
22 were using fentanyl and there was fentanyl in there, which
23 is very dangerous because it's so potent that if you're
24 exposed to it even through your skin, you can OD on it. You
25 can overdose on it. So we have to take very serious

1 precautions in processing the evidence in a situation like
2 that.

3 During the interviews of the suspects in that case, we
4 learned that the individual who was manufacturing those
5 pills, he had no idea how powerful those pills were because
6 it's not an exact science. He's not doing it in a
7 laboratory. He was doing it in a hotel room.

8 So he would make a batch of pills, and he was curious
9 as to how powerful those pills were, so he had addicts who
10 were friends who he was giving those pills to to test. And
11 he would give them to them for free. That was the caveat,
12 that you can have them for free but you have to tell me how
13 you feel, which is very dangerous, and some of them OD'd.
14 So he was actually testing the strength of his pills on his
15 own friends who were addicts. So they were more than
16 willing to try the drug and give him that feedback so that
17 they could get their fix. It was a very, very sad
18 situation.

19 Q And with regard to online marketplaces, you're saying
20 that some of the feedback has to do with quality control,
21 correct?

22 A Yes. So if they're real oxycodone, those online
23 vendors who are selling legitimate Oxy pills, they're
24 selling them illegally, but they're real pills. They tout
25 that on their site. Mine are not fake. I sell real

1 oxycodone. And people that get them know that they're real
2 because they can usually tell by looking at the pills. But
3 definitely when they take the pill, they can tell that it's
4 real oxycodone, and they'll give feedback.

5 And some vendors will make sure that everybody gets the
6 real stuff and not the fake stuff. Other vendors are very
7 up front about the fact that they are counterfeit pills.
8 And other vendors try to put off counterfeit pills as real,
9 legitimate oxycodone. So there's the whole spectrum there.

10 MR. STEJSKAL: May I have just a moment,
11 Your Honor?

12 THE COURT: Sure.

13 BY MR. STEJSKAL:

14 Q Let's talk specifically about the term continuing
15 criminal enterprise, or CCE. Are you familiar with that
16 term?

17 A Yes. It's a statute, a federal statute.

18 Q Have you investigated or been involved in the
19 investigation of cases that were termed continuing criminal
20 enterprises, or CCEs?

21 A Yes, I have. I have been a case agent on a couple of
22 those.

23 Q Tell us generally what that statute is.

24 A The CCE statute, or continuing criminal enterprise, is
25 a statute that specifies a certain level of trafficking,

1 leader of a trafficking organization. So there are a couple
2 of factors that have to be present in order to charge
3 continuing criminal enterprise. One of those is there has
4 to be a leader, organizer, someone who is in charge of the
5 organization, and they're typically the person that is
6 charged with that statute. Even though the overall
7 conspiracy may involve 20 other people, generally the CCE is
8 charged for the leader, organizer of that group. Now that's
9 one factor. There has to be a leader, organizer.

10 The other is they have to have at least five
11 individuals --

12 MR. SKORDAS: Your Honor, I'm going to object.
13 This is a legal conclusion and something for the jury.

14 THE COURT: He can testify as to his
15 understanding, I think, generally, but he can't give a legal
16 opinion. Are you asking him for a legal opinion?

17 MR. STEJSKAL: I'm not asking him for a legal
18 opinion, no. Let me ask another question and we'll go that
19 way.

20 THE COURT: All right.

21 BY MR. STEJSKAL:

22 Q Based on your training and experience, what specific
23 facts or areas would apply to a principal administrator,
24 organizer, or leader? What kinds of things would that
25 person do?

1 MR. SKORDAS: Same objection.

2 THE COURT: Overruled. He can testify as to his
3 understanding and experience.

4 THE WITNESS: My understanding is the leader,
5 organizer would be the person in charge of the decisions,
6 who gets hired, what the prices are, who rents the vehicles.
7 They delegate -- the very things that we've been talking
8 about would be a leader, organizer.

9 BY MR. STEJSKAL:

10 Q And to involve five other persons, five or more other
11 persons, what type of roles would five other persons or
12 would more people fill?

13 A So my understanding of the statute means that --

14 MR. SKORDAS: Same objection, Your Honor.

15 THE COURT: You can have a continuing objection.

16 MR. SKORDAS: Thank you.

17 THE WITNESS: My understanding would be that there
18 have to be five individuals that worked under the employ of
19 that leader, organizer. So they would be people that may
20 purchase equipment in their names. They may be people that
21 ship the drugs, or drive somewhere to deliver the drugs, or
22 pick the drugs up. They may be people who are in charge of
23 collecting money. As I've said, there are so many different
24 types of organizations and facets of a drug trafficking
25 organization, just like any other business, that leader,

1 organizer would delegate those types of activities to the
2 people under them.

3 BY MR. STEJSKAL:

4 Q And another requirement is that the leader, organizer
5 obtains substantial income or resources from the operation?

6 A Yes.

7 Q Explain that for us. How do they obtain resources from
8 the operation?

9 A Well, the operation, of course, in the case of drug
10 trafficking, is the actual trafficking of illegal drugs, and
11 the proceeds that are gained from that are illicit proceeds.
12 And as I understand it, this statute requires that those
13 proceeds be substantial, and I think that's all it says.
14 It's a relative term, substantial. But the proceeds have to
15 be substantial in order to charge the CCE.

16 Q So based on your experience, is a million dollars
17 substantial?

18 A Yes.

19 Q Let's talk lastly about the term conspiracy. You said
20 you obtained specific training on conspiracy, correct?

21 A Yes.

22 Q And you've investigated a number of conspiracy cases
23 throughout your career?

24 A I have.

25 Q Conspiracy requires an agreement between people. Is

1 that your understanding?

2 A Yes. It was defined to me as a conspiracy is an
3 agreement between two or more individuals, and then in order
4 to be a criminal conspiracy, that agreement would be to
5 break the law. And so a conspiracy is where two or more, or
6 a group of people conspire together to accomplish something
7 like drug trafficking, and each individual in that
8 conspiracy is not required to know what the other
9 individuals' roles are.

10 They know, for example, you are in the conspiracy if
11 you know that your job is only to rent cars every single
12 week to drive to San Diego to pick up drugs, and you rent
13 the cars. That's all you do. You don't even drive them.
14 Your job is to rent that car. That's your part of the
15 conspiracy. You are now a co-conspirator.

16 So each individual in a conspiracy has a part in that
17 crime that's being perpetrated, and each individual doesn't
18 have to know what the other individual is doing, but they
19 can still be part of the conspiracy.

20 Q And often it's up to the leader, organizer to kind of
21 define those roles?

22 A Of course.

23 Q Is there often, in your experience, a written contract
24 of this agreement?

25 A I've never seen one.

1 Q So how does the agreement take place?

2 A It's usually verbally. Sometimes they don't even
3 specify it. It just starts happening. You know, hey --
4 they just start doing it and they're good at it, or it
5 worked and so they do it again. Sometimes it just becomes
6 their role. Oftentimes -- they don't sit down and have a
7 board meeting and say, okay, here's what we're going to do.
8 We're taking a different approach to this. It's very fluid
9 and it just evolves into an organization and everybody has
10 their role that's defined by someone.

11 MR. STEJSKAL: One moment, Your Honor?

12 THE COURT: Yes.

13 BY MR. STEJSKAL:

14 Q In a conspiracy investigation, based on your
15 experience, is there always a single leader or a role
16 sometimes divided?

17 A Roles are divided.

18 Q Explain that.

19 A Well, oftentimes there are partners, and sometimes
20 partners stay together for a long time and other times
21 partners start disagreeing on how things are done.

22 I did a case a few years ago where it started out with
23 two partners, and the one just finally said I'm out, and the
24 other just kept going with all of the previous customers,
25 and everything was kept going. The one just left and he got

1 bought out, but the organization continued. But he was
2 still part of the conspiracy and he was an equal partner
3 until that certain date when he voluntarily left the
4 conspiracy and completely got out of the drug trafficking
5 business. So he was a co-conspirator until that time and he
6 was an equal partner until that time.

7 Q And you've seen different organizations that operate
8 differently?

9 A Yes.

10 Q Again, you said they come in different structures and
11 sizes?

12 A Just like businesses, yep.

13 Q Thank you.

14 MR. STEJSKAL: That's all the questions at this
15 time, Your Honor.

16 THE COURT: Thank you.

17 You may cross-examine, Mr. Skordas.

18 CROSS-EXAMINATION

19 BY MR. SKORDAS:

20 Q Mr. Bryan, did you say you started at the DEA in 1991?

21 A Yes.

22 Q And you started here in Salt Lake?

23 A Yes, sir.

24 Q When you started at the DEA, you started as a field
25 agent, or something with that title?

1 A Special agent, yes.

2 Q Special agent. And did you start sort of on the
3 street, so to speak, trying to do hand-to-hand buys and
4 trying to find individuals that were selling drugs?

5 A Yes.

6 Q And you would go to clubs, or places like that to do
7 that?

8 A Typically we don't do that too much. That's kind of a
9 dangerous thing to do, and it's not very fruitful in terms
10 of -- we go out in clubs and how do you know who you're
11 buying from, and it's dangerous. When we make undercover
12 purchases, it's very controlled, generally. So we usually
13 get introduced by someone.

14 Q And you'd be introduced by someone to an individual who
15 was going to distribute drugs to you, correct?

16 A Yes.

17 Q And you'd have some government money that controlled
18 part of the controlled buy and exchange that for the drugs?

19 A Yes.

20 Q And then you would arrest the person that gave you the
21 drugs eventually, at some point, right?

22 A Uh-huh, (Affirmative). Sometimes. Sometimes we'd see
23 where they're getting the drugs and we try to go up the
24 chain from there.

25 Q Because that's the goal of all of this, isn't it?

1 A Yes.

2 Q Is to find out where the drugs are coming from?

3 A Yes.

4 Q Tell the jury why -- well, did you say you worked in
5 the cocaine area for a while?

6 A Yes.

7 Q And did that take you to Brazil?

8 A Yes.

9 Q And tell the jury why you went to Brazil.

10 A Well, I went to Brazil because I had lived there
11 before. I already spoke the language, and there was an
12 opportunity to work there. So I took my family down there
13 and worked. It wasn't because I wanted to work cocaine. It
14 was I wanted to broaden my scope of investigations. But
15 that's what we were working down there, was cocaine.

16 Q But the DEA sent you there because the cocaine was
17 coming from Brazil -- or from Colombia I think you said?

18 A Yes. It was used as a transit country.

19 Q And from Venezuela, correct?

20 A Yeah, other South American countries. There are 26
21 major seaports along the east coast of Brazil, and they try
22 to get the cocaine to those seaports to go all over the
23 world, and we tried to intercept those loads in concert with
24 the Brazilian Federal Police. We didn't work unilaterally
25 down there. And we tried to intercept those loads before

1 they got on those boats.

2 Q Because your end game is to get the source of supply,
3 correct?

4 A That's correct.

5 Q That's the ultimate bad guy, correct?

6 A Yes.

7 Q And in the cocaine industry, that bad guy was in
8 Colombia, correct?

9 A Well, we would go up the chain as far as we could, but
10 ultimately most of the cartels were in Colombia.

11 Q And you testified about meth and that most of the
12 cartels for meth were in Mexico?

13 A They're now in Mexico. The meth started here in the
14 U.S. That's a U.S. homegrown product.

15 Q It is now?

16 A It was, back in the biker days.

17 Q Because people can make meth?

18 A Make it. So the source of supply is here. So they
19 were manufacturing it.

20 Q I'm sorry. I'll quit cutting you off.

21 A That's okay.

22 Q Because you can buy, arguably, legal products, set up a
23 little meth lab in your basement and make something that's
24 illegal, correct?

25 A Yes, back then you could. Now some of those products

1 that you need to manufacture methamphetamine are controlled
2 as well.

3 Q The precursors?

4 A Yes.

5 Q But cocaine isn't something you make in your basement,
6 is it?

7 A No.

8 Q And neither is fentanyl, is it?

9 A No.

10 Q So to get the source of supply, the DEA sends you,
11 sometime in the '90s, I guess, or early 2000s, to Brazil to
12 try to chase that down, correct?

13 A Yes. My job was to try to get the cocaine before it
14 was shipped to other parts of the world, primarily the U.S.

15 Q And prescription drugs, the source of supply is China
16 often, correct?

17 A No. Prescription drugs, it's pharmaceutical companies
18 that produce it. They are legally producing the
19 pharmaceutical drugs, and they're all over the world.

20 Q What about fentanyl?

21 A Fentanyl is -- if you're buying it illicitly?

22 Q Right.

23 A Yes. Typically fentanyl is purchased on the dark
24 web -- if someone is buying it illicitly, they purchase it
25 on the dark web, and generally it comes from China.

1 Q So those are the bad guys, right, that are making the
2 illegal drug?

3 A Uh-huh. (Affirmative) Well, it's made legally.
4 They're probably diverting it.

5 Q Well, I suppose in Colombia in 2000 you could make
6 cocaine legally. You just can't send it to America,
7 correct?

8 A Well, I'm sure fentanyl is probably produced here in
9 America as well in a controlled environment and it's used
10 for pharmaceuticals. Diversion is -- the term diversion is
11 used to specify a product that has -- that there's a
12 controlled chain. So a pharmaceutical company may produce
13 fentanyl or oxycodone, and then they sell it to -- the
14 manufacturer sells it to a company.

15 Q I'm going to cut you off. I'm not talking about a
16 pharmaceutical company that's manufacturing cocaine, or
17 methamphetamine, or fentanyl. I'm talking about an illegal
18 distributor.

19 A Of fentanyl?

20 Q Of any of those things.

21 A Okay.

22 Q That's who you want, isn't it?

23 A Yes.

24 Q Okay. So fentanyl --

25 A An illegal distributor of those things.

1 Q Absolutely. It's coming from China?

2 A Well, the pills aren't coming from China. The fentanyl
3 is.

4 Q That's what I said, fentanyl.

5 A Okay.

6 Q In whatever form.

7 A Okay.

8 Q And by the same token, I guess marijuana at some point
9 was coming from other locales, right?

10 A Yes.

11 Q Where was that coming from during your time at the DEA?

12 A Some from Mexico. The high quality marijuana was grown
13 in the northwest of our country, northwest United States. A
14 lot of marijuana comes from South America, but it doesn't
15 come up here because it's not worth shipping up here all the
16 way. But countries in South America produce it as well for
17 local distribution. So marijuana can grow just about
18 anywhere.

19 Q What about LSD?

20 A LSD is typically produced in San Francisco
21 clandestinely. Historically, in the United States, the
22 epicenter is San Francisco for some reason.

23 Q And it's made by some lab that makes LSD?

24 A Yes, a clandestine lab.

25 Q And Ecstasy, where does that come from?

1 A Ecstasy generally comes --

2 Q I'm not trying to quiz you.

3 A It generally comes from Europe, the Netherlands.

4 Q I'm asking you these questions because I don't know the
5 answers.

6 A That's okay.

7 Q When you would work at the DEA and you arrested
8 individuals who were selling you drugs, it was not uncommon
9 that they didn't know the name of the person they were
10 getting the drugs from, correct?

11 A Is it not uncommon?

12 Q Right.

13 A No. They usually know who they're getting the drugs
14 from.

15 Q And did they know who that person was getting the drugs
16 from?

17 A Maybe not.

18 Q And did they know who was manufacturing the drugs?

19 A Maybe, maybe not.

20 Q Did they know the folks in Colombia that were bringing
21 the drugs?

22 A Well, I gave you an example of a pound of
23 methamphetamine that I purchased. That individual knew
24 exactly who was producing that meth. But I've purchased a
25 lot of drugs where they had no idea who was producing the

1 drug. So, again, it's just like a business. They're so
2 different. Some do and some don't.

3 Q But the folks that are running the cartel are only
4 successful if nobody knows who they are. It's no fun going
5 to jail because --

6 A The people that are running the cartels?

7 Q Right.

8 A Well, that level, most people do know who's running the
9 cartels. It's no secret who runs the cartels.

10 Q There's no secret to you who's running the cartel, but
11 to the guy on the street that's just handing you the drugs,
12 they don't know.

13 A They don't care.

14 Q Right.

15 A Yeah.

16 Q And they don't get a letter from whoever are latest
17 drug lord in Colombia is saying, Dude, we'd sure love you to
18 help us out here, do they?

19 A No. They don't need to.

20 Q You talked about the use of Bitcoin a little bit --

21 A Uh-huh. (Affirmative)

22 Q -- and you said that the U.S. Postal Service is often
23 used because it accepts Bitcoin?

24 A So you don't buy stamps with Bitcoin. But if you have
25 a -- there are drug trafficking organizations that ship

1 drugs via the U.S. Postal Service, and they can print their
2 own postage, and they have to purchase -- you purchase it in
3 advance, and then you can print the postage. And it is
4 possible to purchase that postage with Bitcoin. It's
5 possible. Not all drug traffickers do that. In fact, I
6 don't know very many that do, but it's possible.

7 Q But people who are selling oranges or shoes can buy
8 their stamps using Bitcoin too, correct?

9 A Sure.

10 Q It's not just limited to illegal organizations?

11 A No. No. Bitcoin is not illegal.

12 Q Right. That was the question I should have asked you
13 first.

14 MR. SKORDAS: I believe that's all I have,
15 Your Honor.

16 THE COURT: Thank you, Mr. Skordas.

17 Any redirect?

18 MR. STEJSKAL: Briefly, Your Honor.

19 REDIRECT EXAMINATION

20 BY MR. STEJSKAL:

21 Q So as a long-term member of DEA, you are aware of DEA,
22 the United States Drug Enforcement Administration, and what
23 targets they identify generally, correct?

24 A Yes.

25 Q Are you familiar with the term CPOT, C-P-O-T?

1 A Yes.

2 Q What is that?

3 A That is a priority target, meaning the DEA has
4 identified certain priority targets that are like major.
5 Now I talked about the different sizes of organizations. A
6 CPOT would be a CEO of Costco or a CEO of Target. Those are
7 huge organizations and those CPOTs are who DEA has
8 identified as the leaders of those organizations.

9 Q Has DEA identified Chinese fentanyl suppliers as CPOTs?

10 A Yes.

11 Q And does DEA have investigations into Chinese fentanyl
12 suppliers?

13 A Yes.

14 Q Because those investigations exist, does that mean DEA
15 should not investigate pill suppliers in the United States
16 that use that fentanyl?

17 A No.

18 Q Why not?

19 A Because it's being sold here. The pills are being
20 manufactured here and sold here. We don't get a lot of
21 cooperation from China when it comes to those
22 investigations, believe it or not. So the fentanyl that is
23 purchased from them here clandestinely and then used to
24 produce pills, that's what's being sold on the streets of
25 the United States and here in Utah, and everywhere else.

1 So yes, when those pills are produced with that
2 fentanyl, we have to find the people that are producing
3 those pills with that fentanyl and stop it. That's what we
4 try to do.

5 Q So what's the ultimate goal of DEA? Are you familiar
6 with the terms disrupt and dismantle?

7 A Yes.

8 Q What does that mean?

9 A Well, we disrupt and dismantle as high up the chain as
10 we can. That's what we try to do. So if a drug trafficking
11 organization is kind of a smaller organization, maybe five
12 people, and we dismantle that organization and all five of
13 them go to jail, that trafficking organization was disrupted
14 and dismantled.

15 Now if there's a big, very large organization that we
16 would -- you know, compared to a large department store, for
17 example, if we're comparing to legitimate businesses, if we
18 took off the managers of several stores, we're disrupting
19 it, but we haven't completely dismantled it. But we're
20 disrupting it. We would try to get to the very, very top
21 guy that we can to dismantle it, but sometimes we can only
22 disrupt. Does that answer your question?

23 Q Just because you don't get the top guy, that doesn't
24 mean you shouldn't target the second guy?

25 A No.

1 Q And DEA has made Chinese fentanyl suppliers a priority
2 target?

3 A Yes.

4 Q Thank you.

5 THE COURT: Thank you.

6 Any recross, Mr. Skordas?

7 RECROSS-EXAMINATION

8 BY MR. SKORDAS:

9 Q And those suppliers still exist today, don't they?

10 A Yes.

11 MR. SKORDAS: Nothing further, Your Honor.

12 THE COURT: Thank you. You may step down.

13 THE WITNESS: Thank you, Your Honor.

14 THE COURT: We'll start tomorrow at 8:30.

15 Thank you again, ladies and gentlemen of the jury.

16 We so appreciate you, and we'll see you tomorrow.

17 (Jury excused)

18 THE COURT: Have a nice evening.

19 (Whereupon, the trial was continued to Thursday,
20 August 22, 2019 at 8:30 a.m.)
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C E R T I F I C A T E

I hereby certify that the foregoing matter is
transcribed from the stenographic notes taken by me and is a
true and accurate transcription of the same.

PATTI WALKER, CSR-RPR-CP DATED: 11-19-19
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